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***Analyst Conference Q2/13***  
***Wednesday, July 31, 2013***

## I. Consolidated Results

- Q2/13 Consolidated Results

- H1/13 Summary

- Financial Updates

## II. SCG Cement - Building Materials

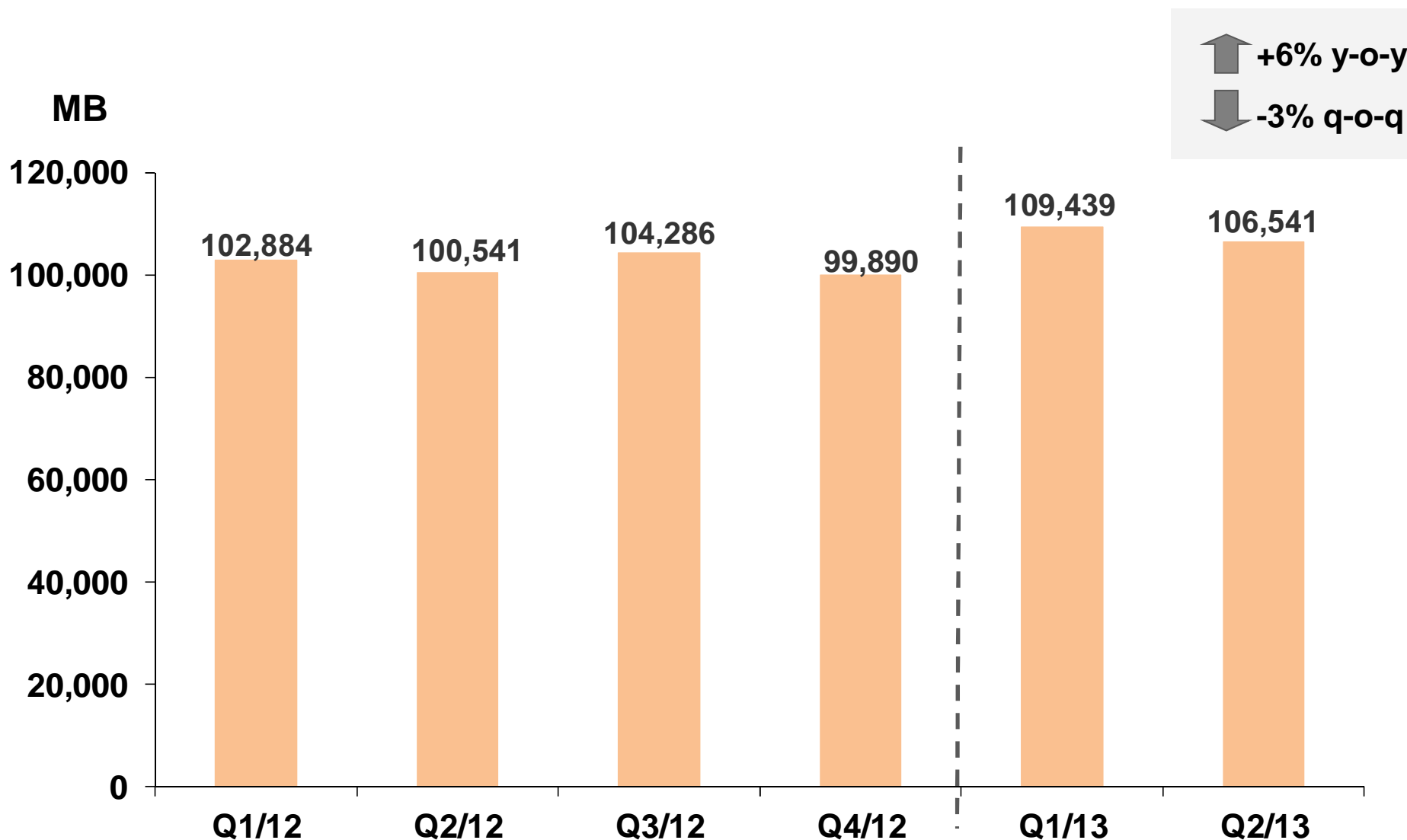
## III. SCG Chemicals

## IV. SCG Paper

## V. Summary

# Revenue from Sales

Gained 6% y-o-y from increased sales volume of domestic cement and chemicals products, but dropped 3% q-o-q on seasonal effect.

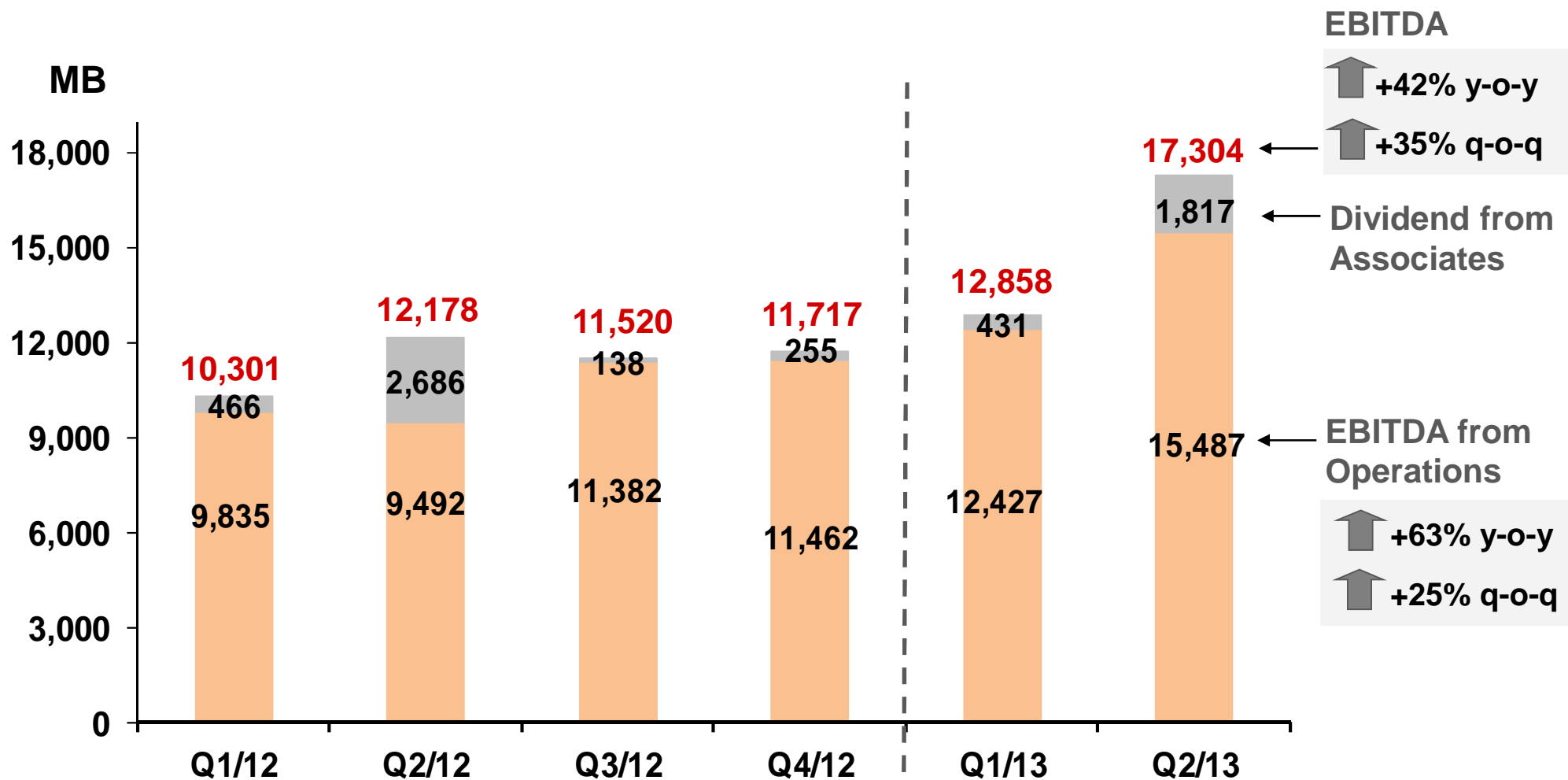


# EBITDA

Increased 42% y-o-y as a result of the recovery in chemicals margins and continued cement growths, and increased 35% q-o-q.



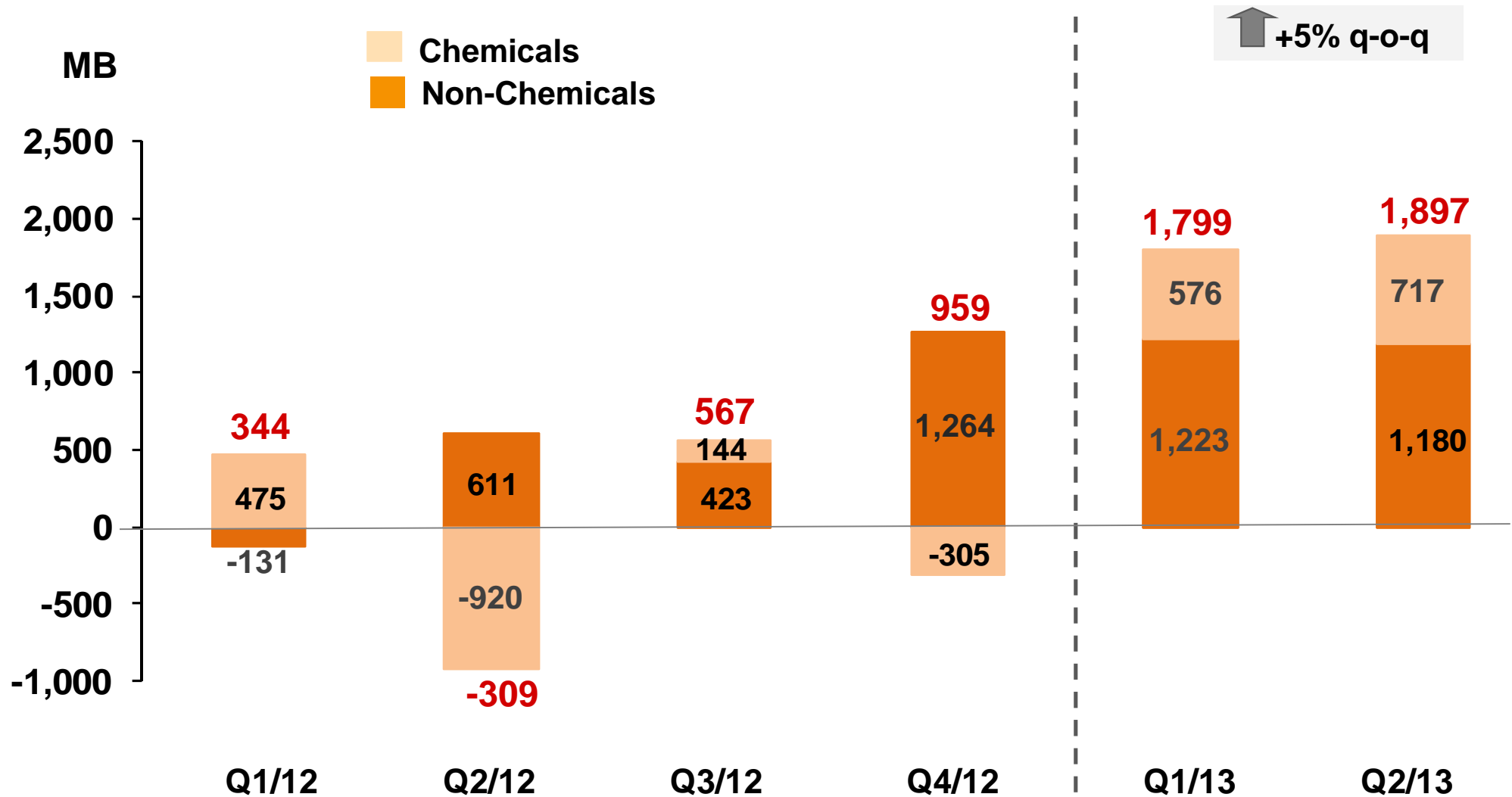
slide 4



**NOTE:** EBITDA = EBITDA from Operations + Dividend from Associates

# Equity Income

Continued recovery of contribution from the associates in the chemicals and non-chemicals businesses.

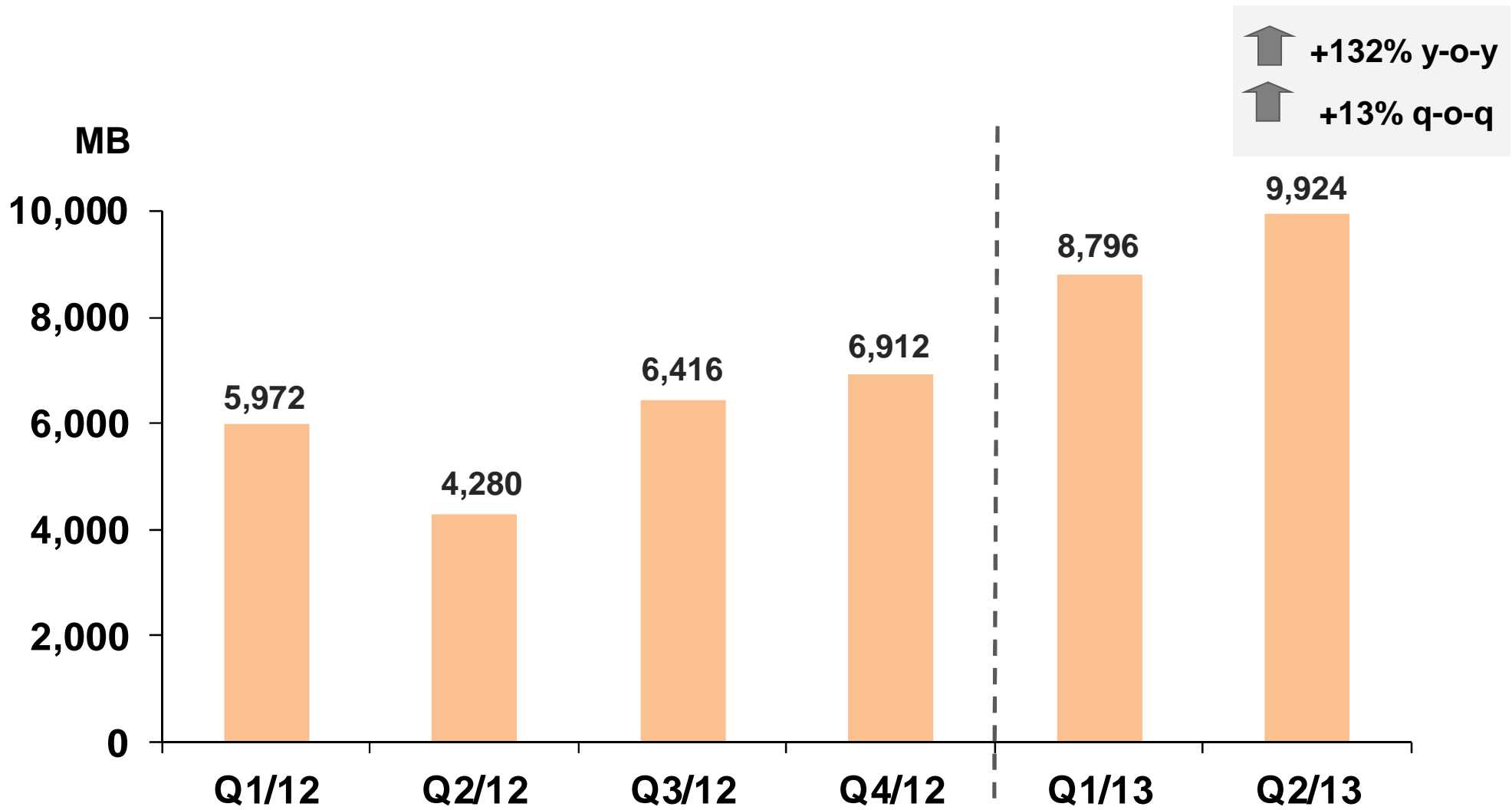


# Profit for the Period



The earnings growths were driven by the recovery of chemicals margins, domestic demand for cement, normalized equity income, and dividend contribution from SCG Investment.

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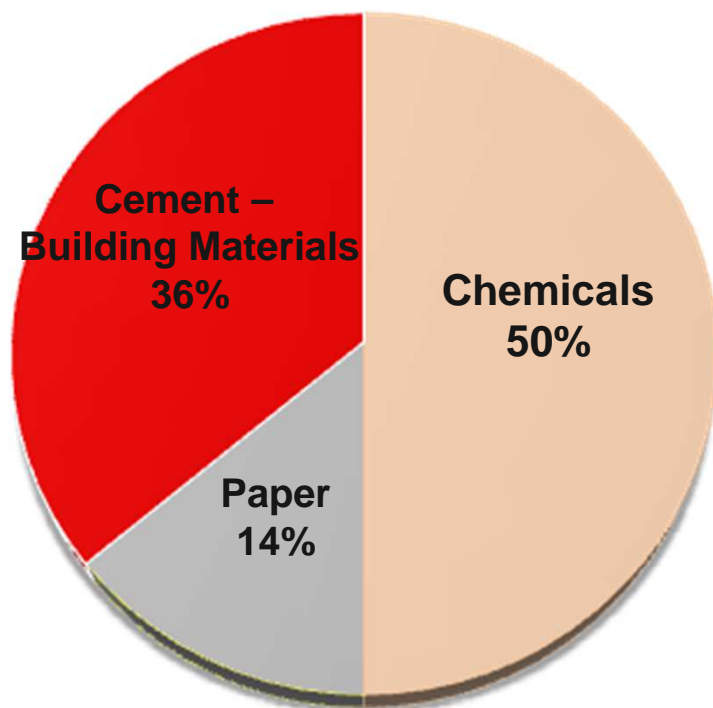


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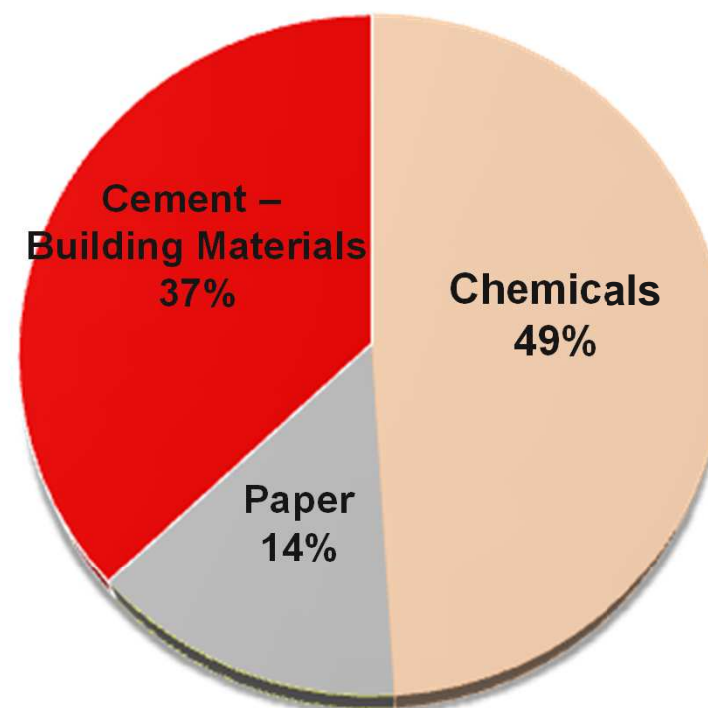
# Revenue from Sales

The chemicals business accounted for 49% of H1/13 sales, while the cement – building materials business was another 37%.

H1/12  
203,425 MB



H1/13  
215,980 MB (+6% y-o-y)

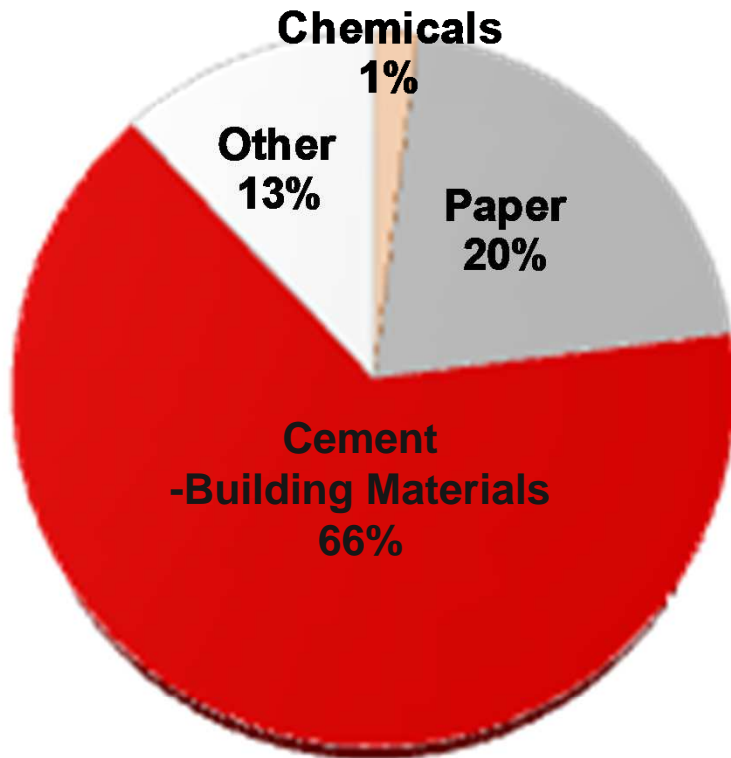




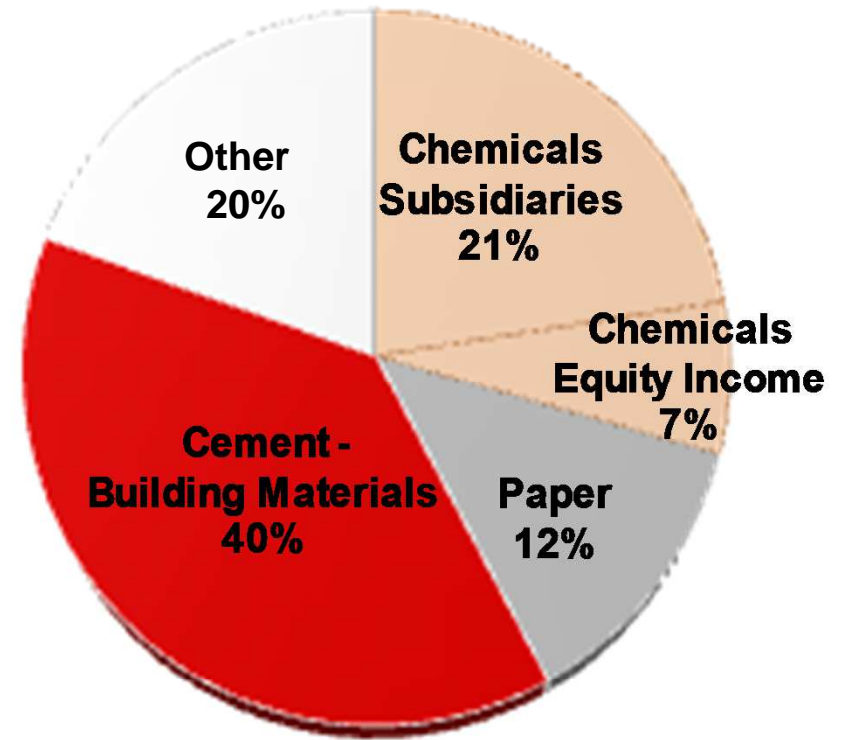
# Profit for the Period

The cement – building materials business amounted to 40% of the H1/13 earnings.

H1/12  
10,252 MB



H1/13  
18,720 MB (+83% y-o-y)

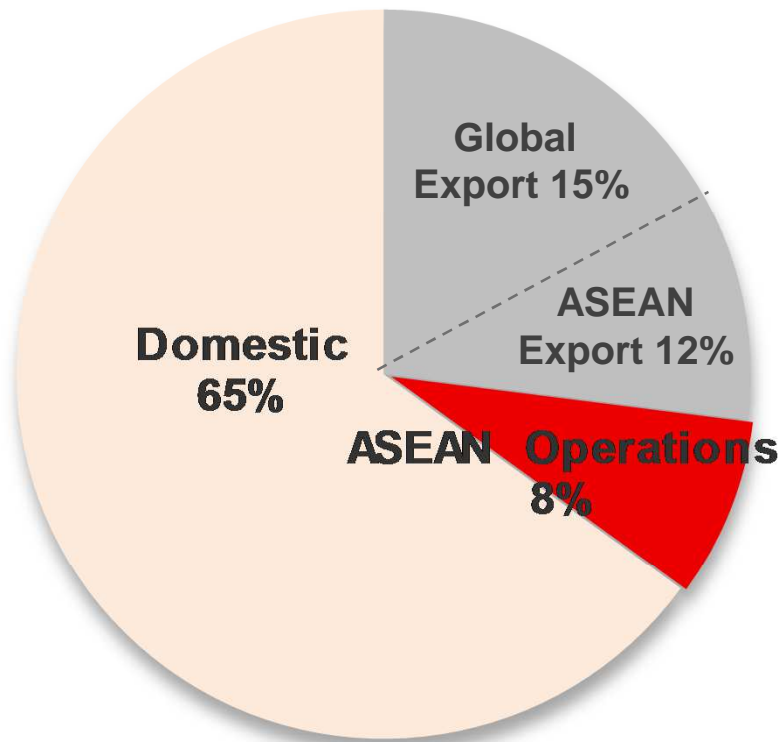


*Other = Mainly SCG Investment and Corporate*

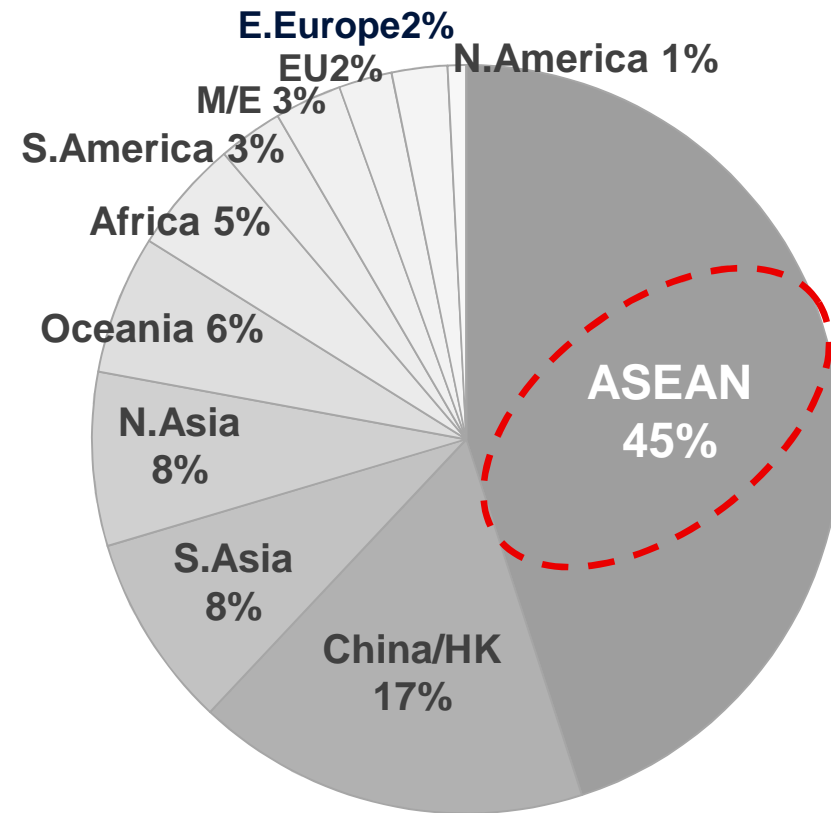
# Segments: Export Destinations in H1/13

ASEAN destinations were 45% of the total exports sold from Thailand.

## Revenue from Sales



## Export Destinations



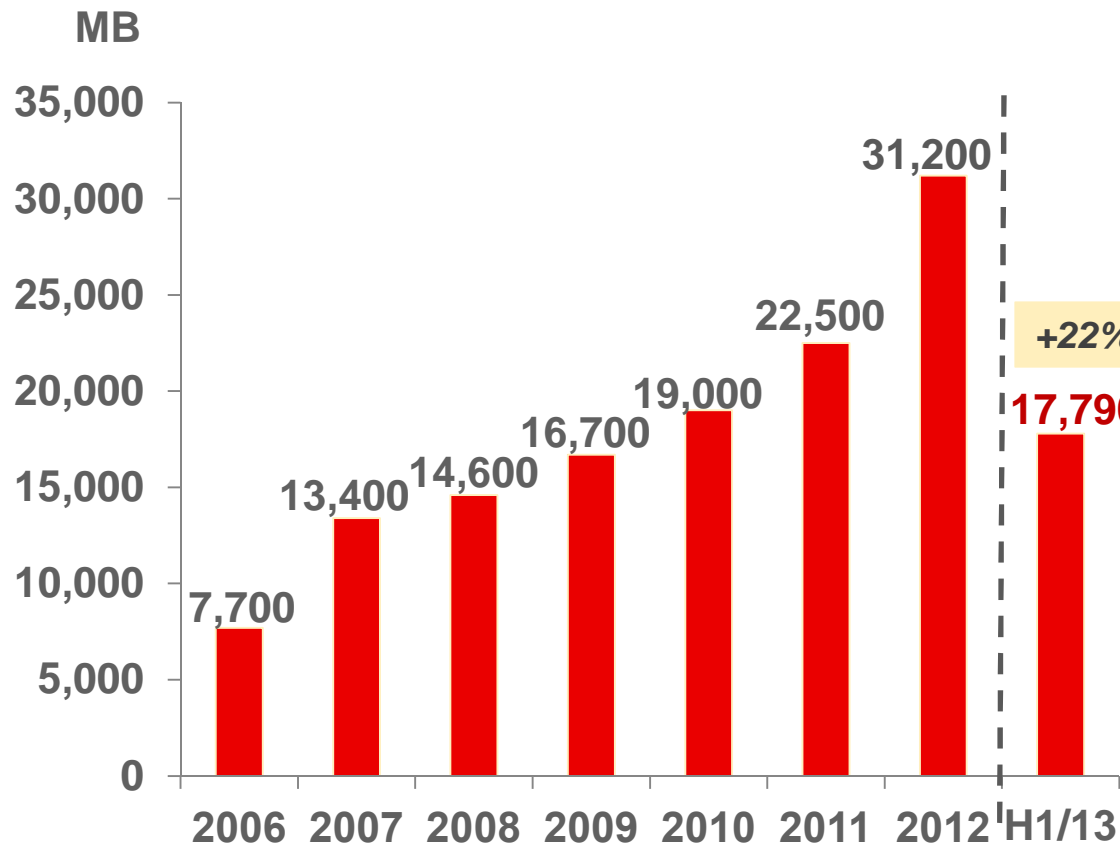
ASEAN Operations - subsidiaries outside of Thailand.

Export Destinations - from Thai subsidiaries

# ASEAN Drivers in H1/13

Three countries (Indonesia, Myanmar, Vietnam) accounted for 58% of SCG's exports into ASEAN, while Sales from ASEAN operations increased 22% y-o-y.

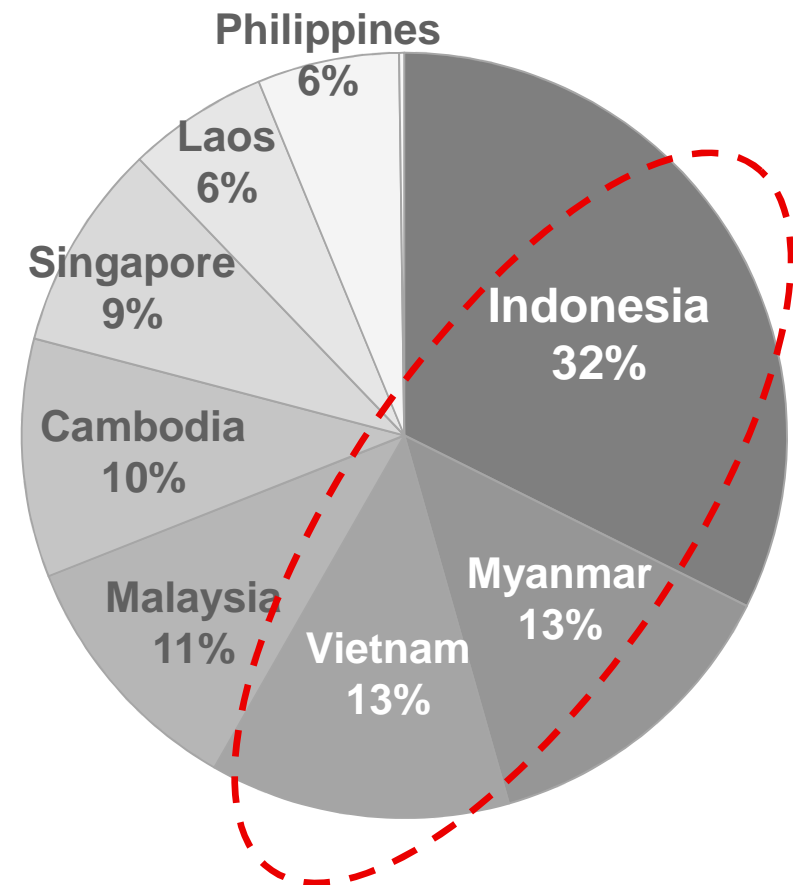
### Sales from ASEAN Operations



Percentage of total sales from ASEAN Operations:

3% 5% 5% 7% 7% 7% 8% **8%**

### Export to ASEAN (from Thailand)



# H1/13 Revenue from Sales & EBITDA

Sales grew 6% y-o-y from demand growth in all businesses, and EBITDA increased 34% y-o-y as a result of the chemicals recovery.

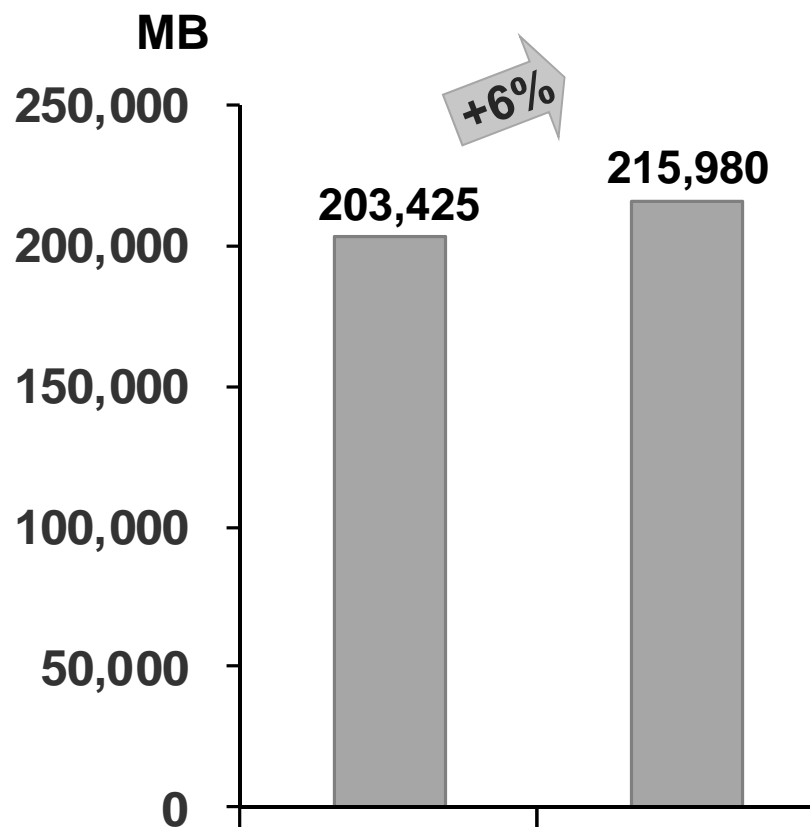


slide 12

## Revenue from sales

H1/12

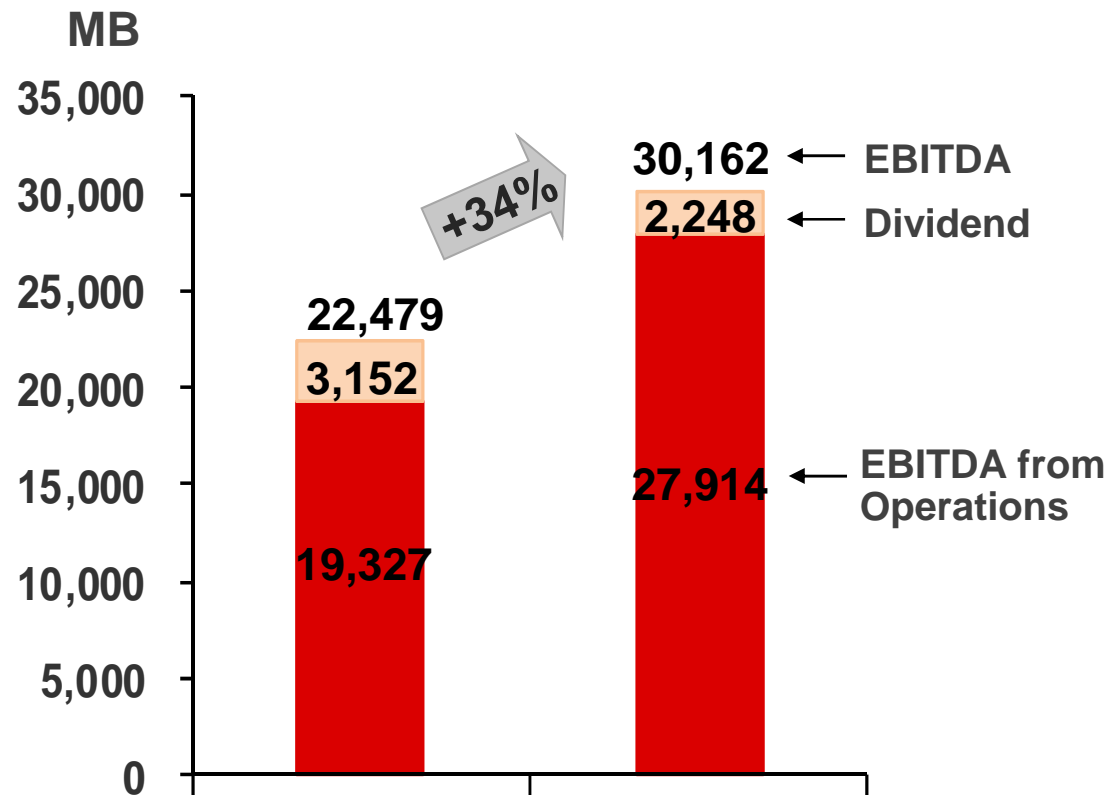
H1/13



## EBITDA

H1/12

H1/13



EBITDA Margin:

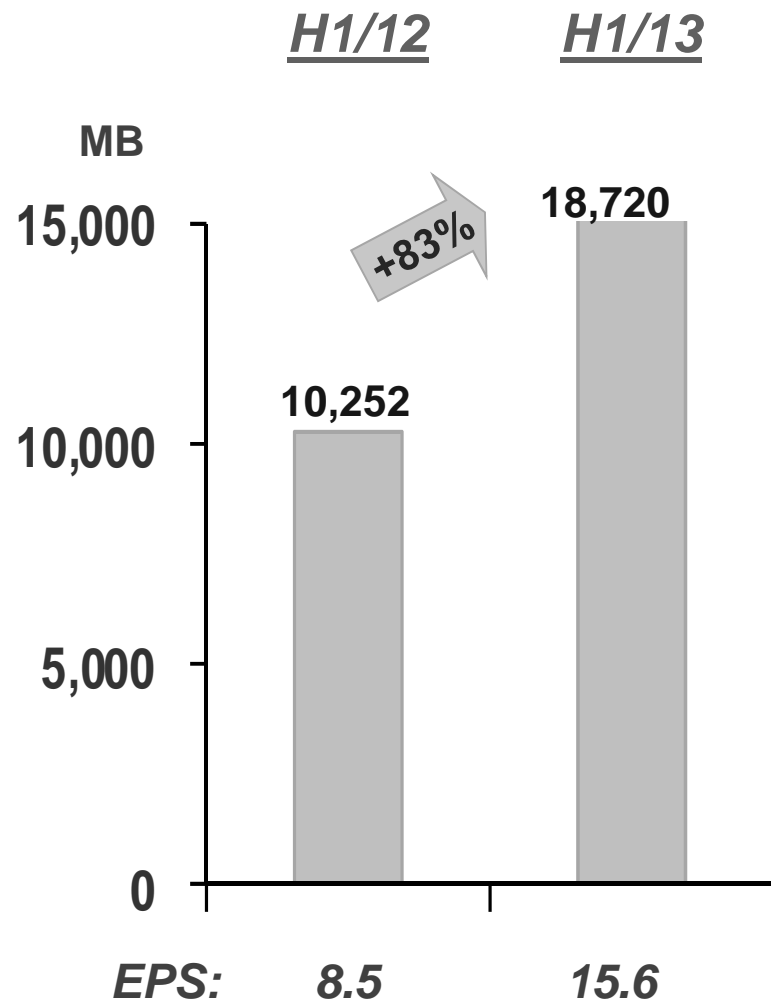
10%

13%

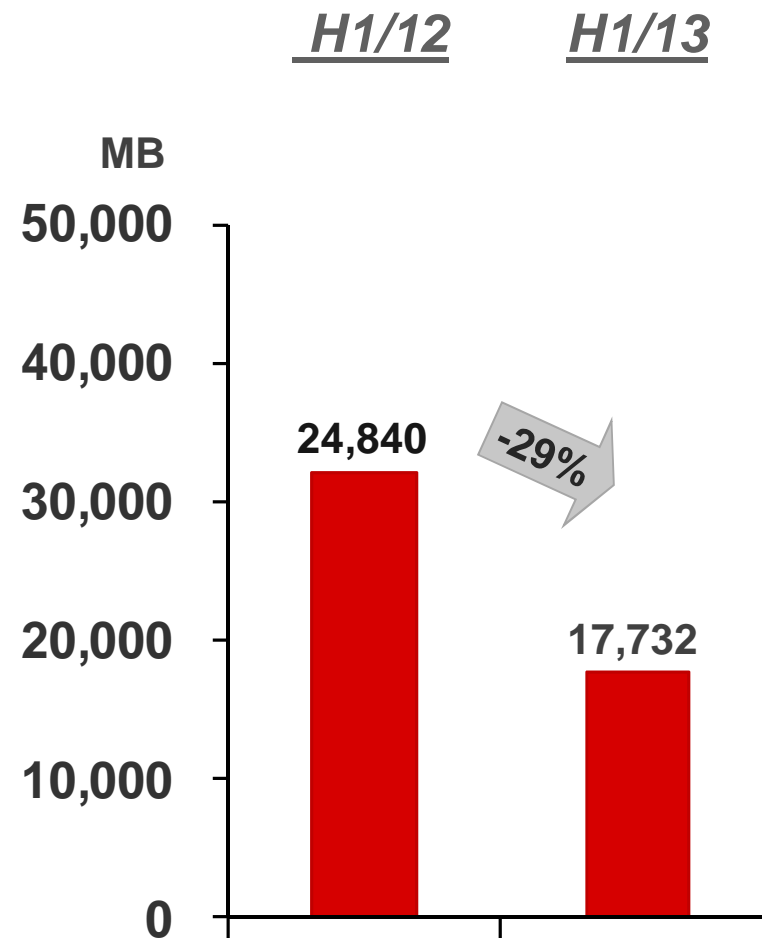
# H1/13 Profitability & CAPEX

Earnings increased 83% y-o-y, as a result of the chemicals recovery, growths in domestic cement, normalized equity income and dividend contribution from SCG Investment.

## Profit for the Period



## CAPEX & Investments



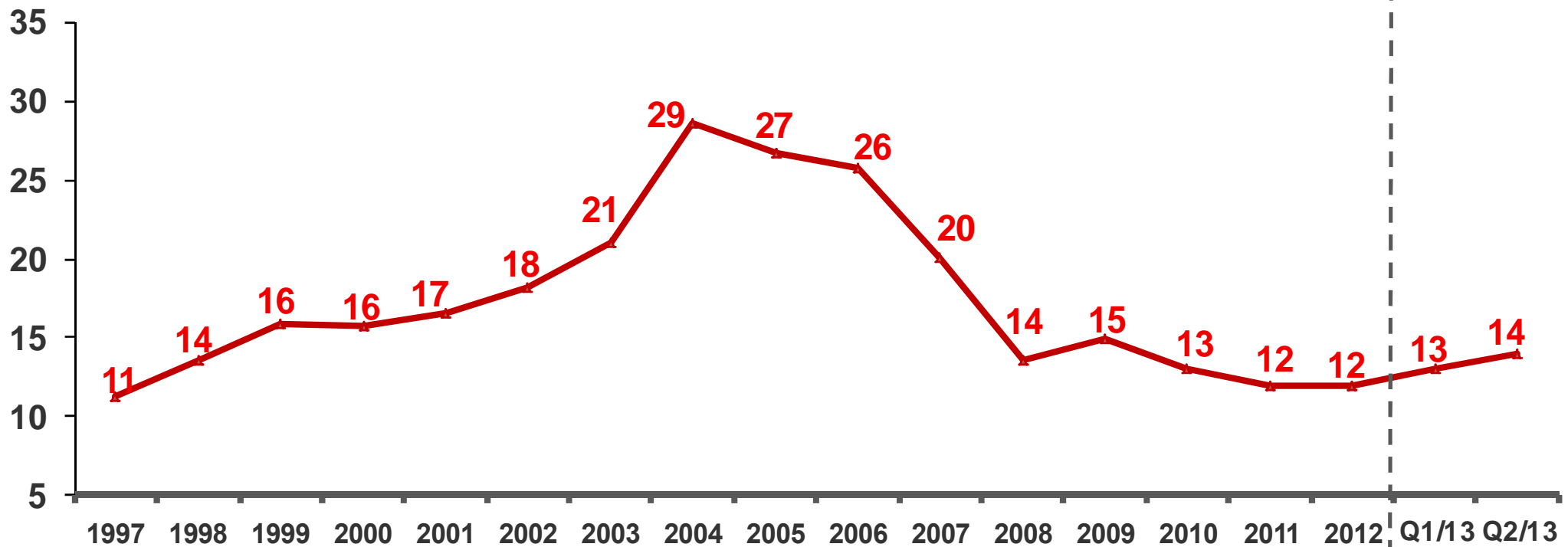
**Note:**

- CAPEX includes debottlenecking, expansions, and major turnaround.
- Investments are acquisitions and purchase of shares.

# EBITDA on Assets, and EBITDA Margin

Percent (%)

*EBITDA on Assets*



*EBITDA Margin (%)*:

24	23	27	23	22	22	23	26	22	19	16	14	18	14	11	10	11	15
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*EBITDA on Assets* = *EBITDA / Consolidated Assets*

*EBITDA margin* = *EBITDA from Operations / Consolidated Sales*

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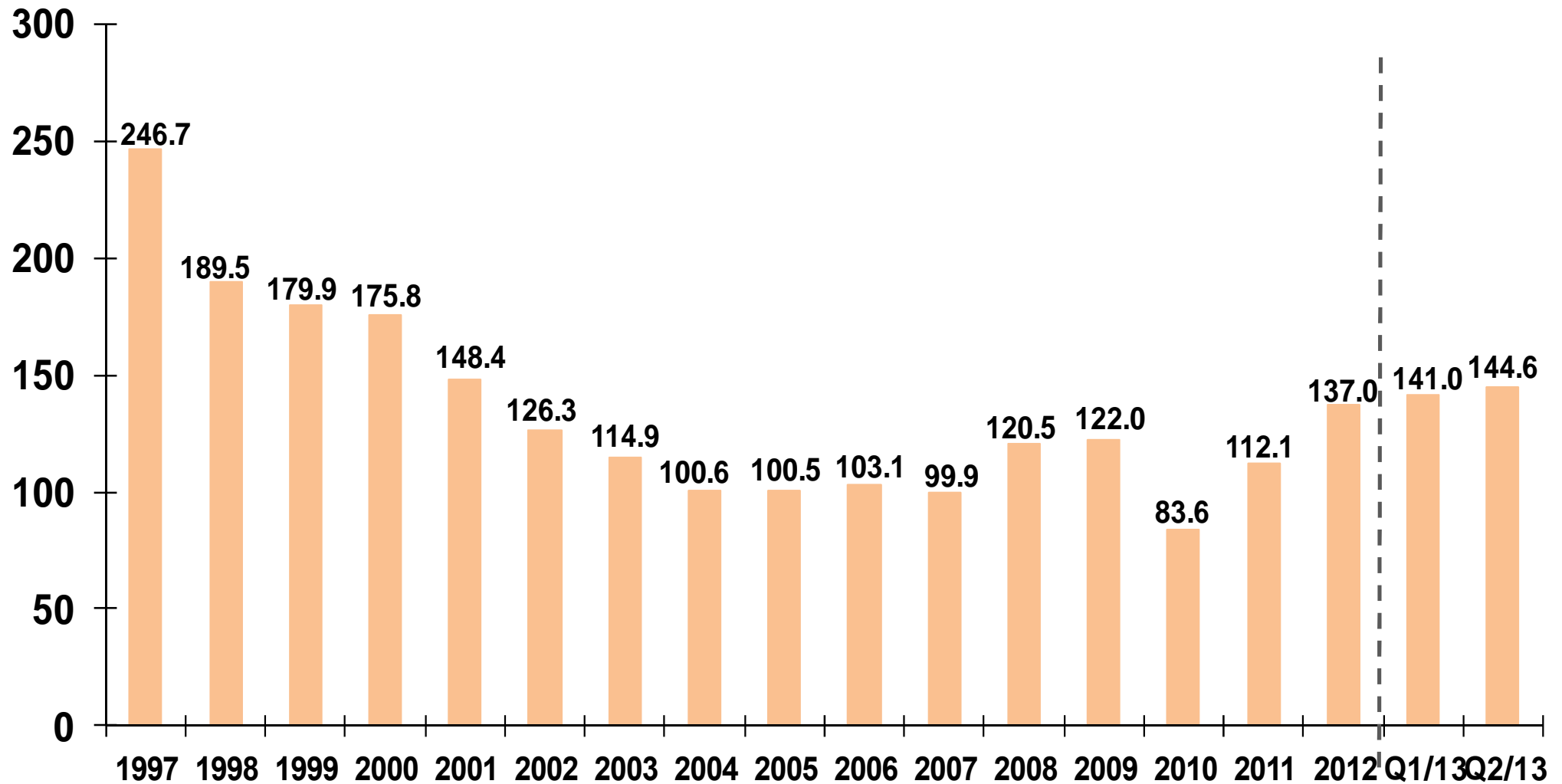
# Net Debt

144.6 Billion Baht, Increased by 3.6 Billion Baht from Q1/13.



slide 16

Billion Baht

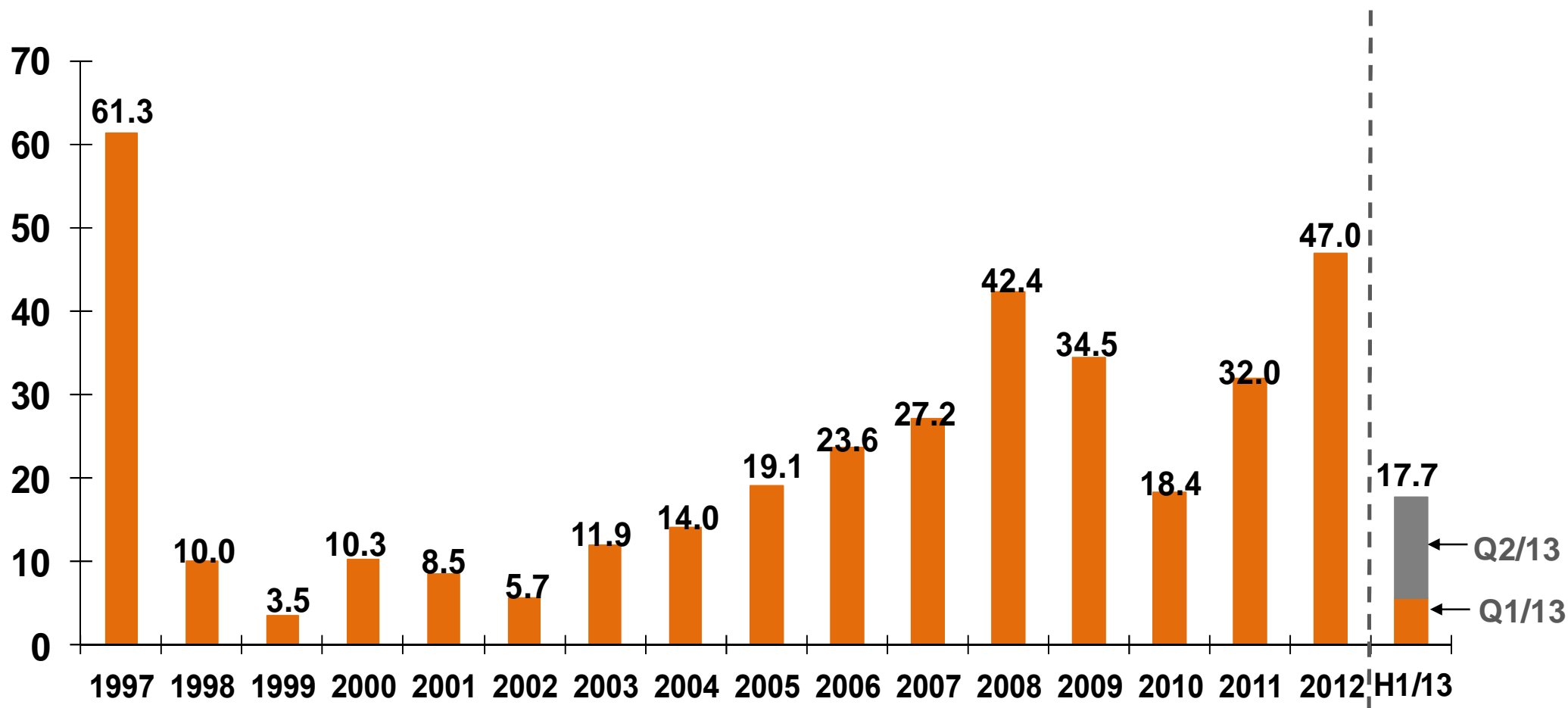




# CAPEX and Investments

Q2/13 CAPEX and Investments of 12,166 MB, and totaling 17,732 MB in H1/13.

Billion Baht

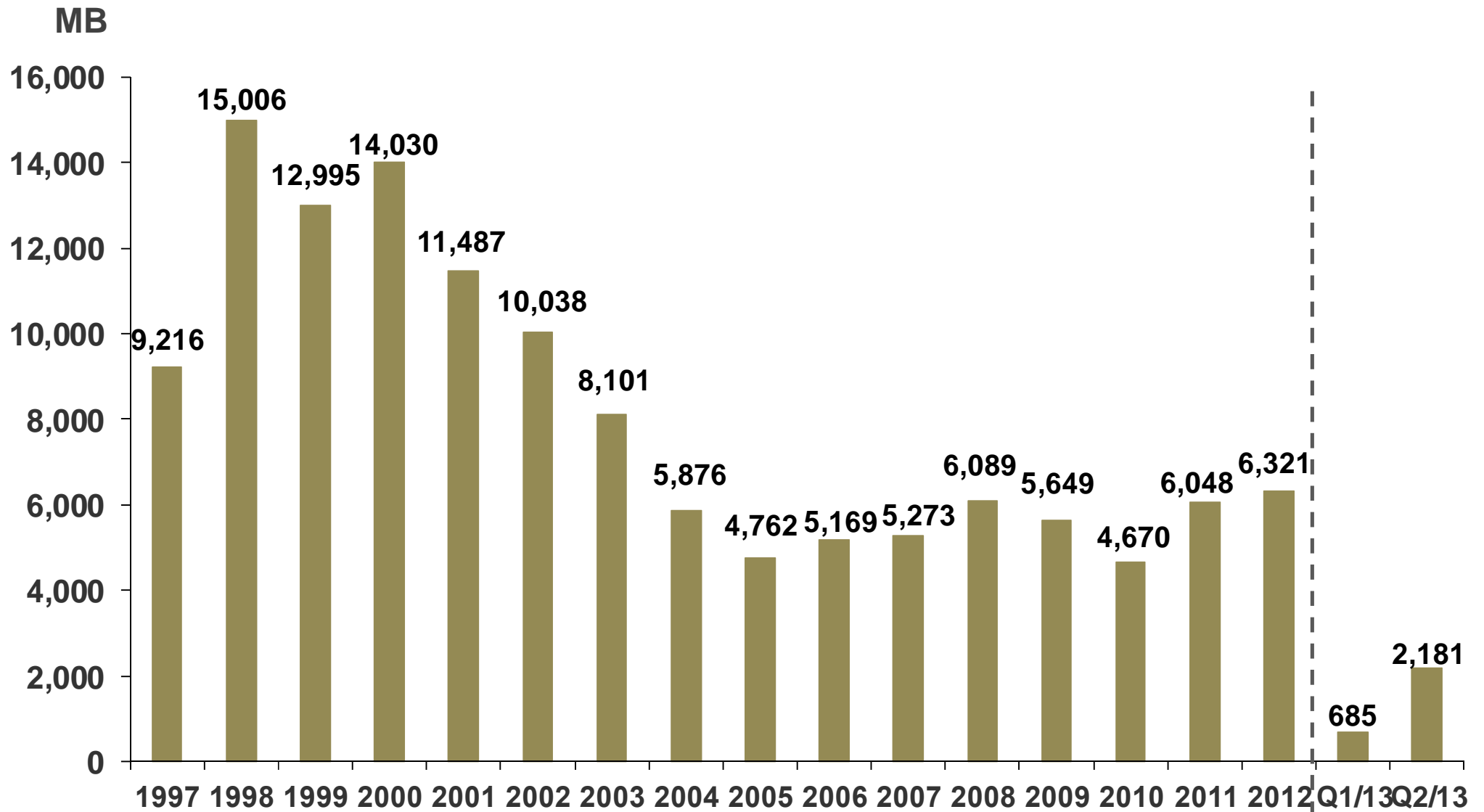


- CAPEX includes debottlenecking, expansion projects, and major turnaround.
- Investments are acquisitions and purchase of shares.

# Interest and Finance Costs

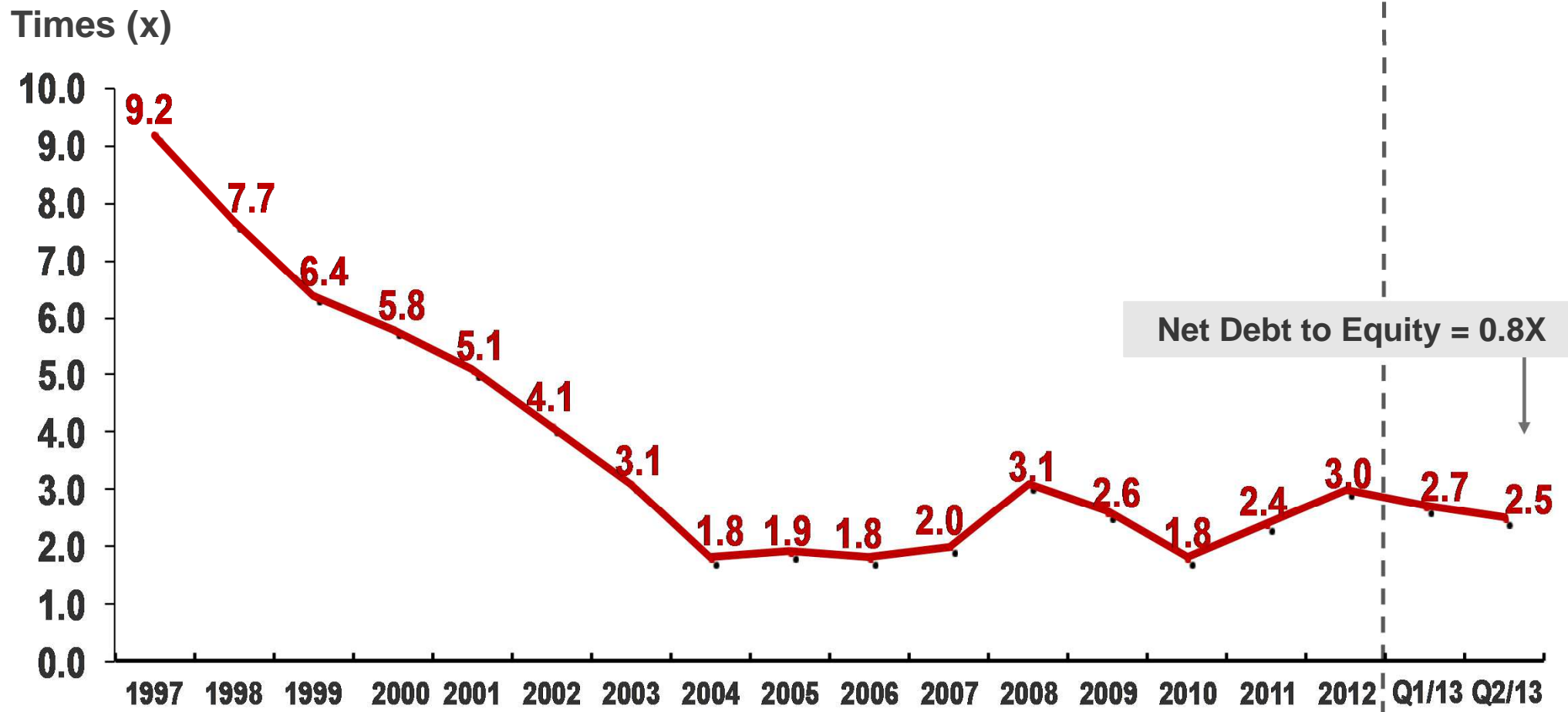
The Q2/13 interest and financing cost of 2,181 MB includes a FX loss of 320 MB, while interest cost registered 4.1%.

slide 18



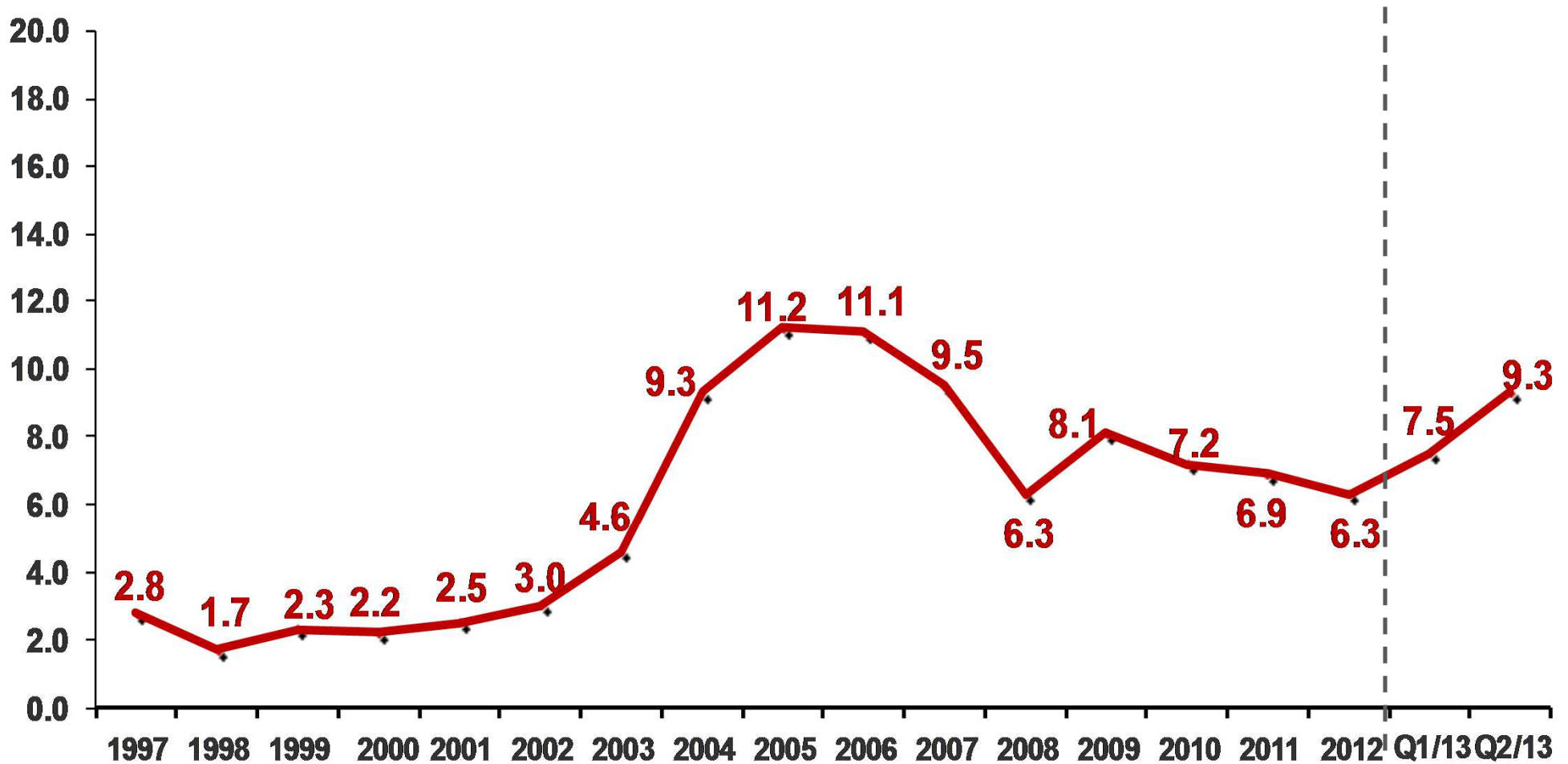
**NOTE:** Interest & financial charges include FX gain/loss transactions.

# Net Debt on EBITDA



# Interest Coverage Ratio

Times (x)



**Note:** -Interest Coverage Ratio = EBITDA / Interest Expense

-Interest Coverage Ratio excludes the effect of FX gain/loss.

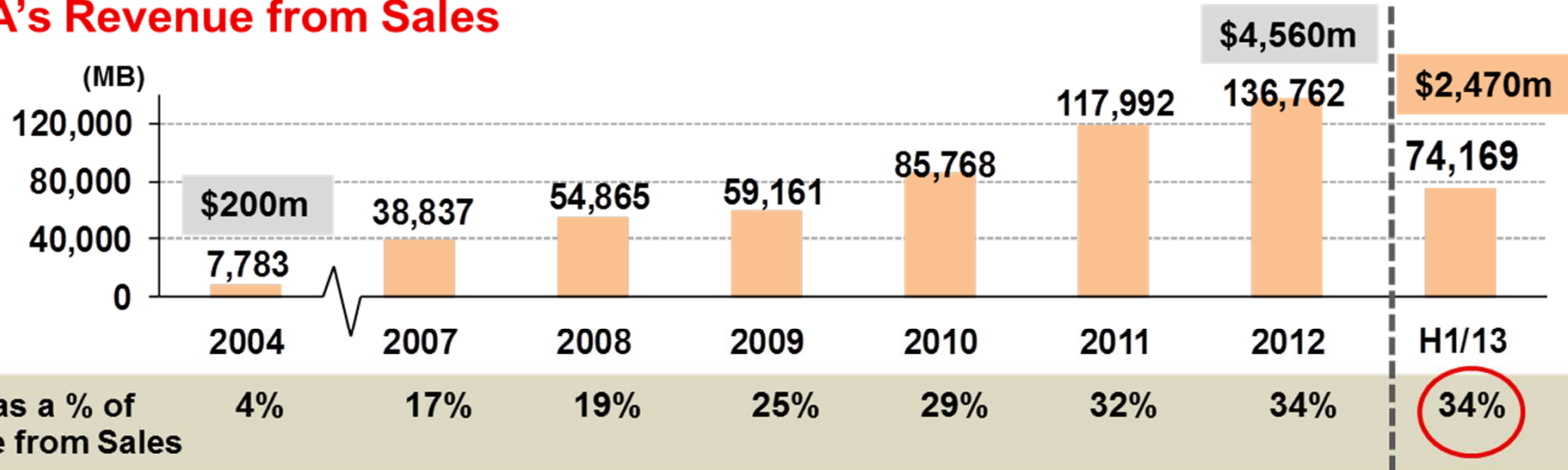
## **Highlights:**

- H1/13 dividend of 5.5 Bt/sh (6,600 MB), which is payable on Aug 29/13 (record date Aug 14/13 and book closing date of Aug 15/13).
- CAPEX and Investments in H1/13 amounted to 17,732 MB, but is expected to total 40,000 – 50,000 MB in FY2013.
- Net Working Capital increased slightly by 311 MB q-o-q to 59,320 MB.
- Cash & cash under management of 40,381 MB at the end of Q2/13.

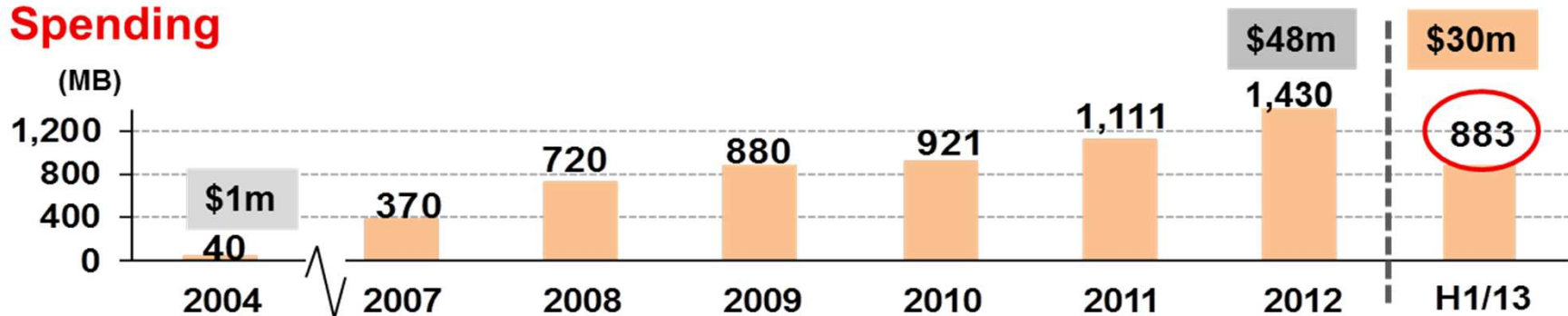
## **Outlook:**

- Solid financial position, with healthy fundamentals in all businesses.
- Approximately two-thirds of SCG's net FX exposure remains hedged since 2012.
- Continued efforts on investments in the core businesses.
- Issuance of a 20 Billion Baht debenture (terms to be finalized) to replace the 10 Billion Baht tranche (4-year, 4.15% fixed) that is due on Oct 1/13.
- Non-recurring gain to the P&L of approximately 1,500 MB from the purchase of shares in Siam Sanitary Ware, and Siam Sanitary Fittings from TOTO Group, whereby this accounting gain is derived from the adjustment of previous investments value to fair value.

## 1. HVA's Revenue from Sales



## 2. R&D Spending



## 3. R&D and Product Design Team

(staffs / Jun/13)



364 (Ph.D. 9)



1,034 (Ph.D. 71)

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### **Domestic:**

- Domestic cement demand grew 9% y-o-y, with high demand growth in the Central and Northern areas. Growth dropped 5% q-o-q, due to the seasonal effect (Thai New Year and rainy season).
- Sales of building products was softer q-o-q, due to rainy season and slow down in some provinces.

### **Regional:**

- Driven by government spending on infrastructure, Indonesian cement demand grew approximately 7-8% in H1/13
- Cambodian cement demand grew 12% in H1/13 from infrastructure, commercial, and residential segments
- Similarly, Myanmar continues to see higher number of public infrastructure, hospitality, office buildings, and real estate projects, resulting in cement demand growth around 20% in H1/13



# SCG Cement-Building Materials

Sales breakdown in H1/13



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**H1/13 Sales: 85,364 MB**

## 1. Structural: 34%

- Grey cement
- RMC
- Mortar
- White cement
- Lightweight concrete

## 2. Housing: 12%

- Roofing products
- Board & Wood sub
- Home improvement

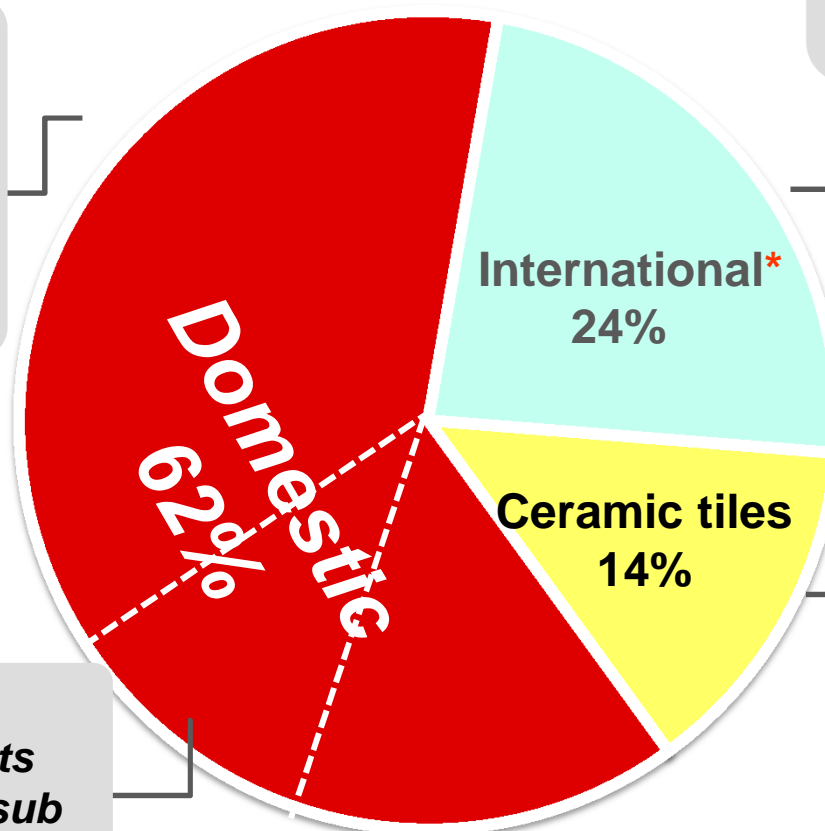
## 3. Logistics and others: 16%

## International business:

- ASEAN operations\*\*
- Exports from Thailand
- Trading business

## Ceramic tiles:

- Thailand
- Indonesia
- Philippines
- Vietnam
- All exports



**Notes:** \* Excluded ceramic tiles.

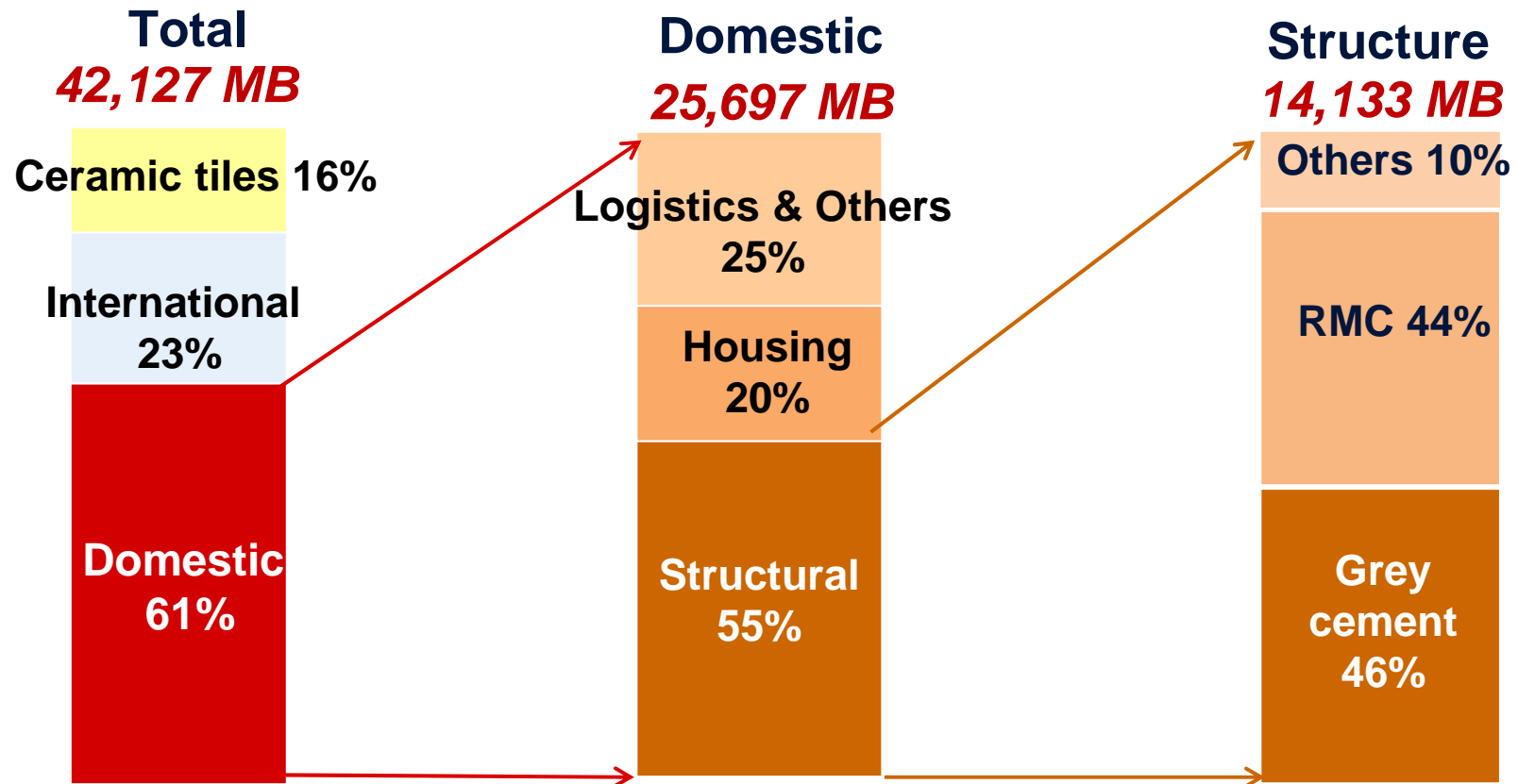
\*\* ASEAN operations - subsidiaries outside of Thailand

# SCG Cement-Building Materials

Sales breakdown in Q2/13



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**Notes:** 1. Ceramic tiles: Thailand, Indonesia, Philippines, Vietnam, and all exports.

2. International: ASEAN operations (sub. outside of Thailand), Exports from Thailand, and Trading business.

3. Domestic:

3.1 Structural - Grey cement, RMC, Mortar, White cement, and Lightweight concrete.

3.2 Housing - Roofing products, Board & Wood sub, and Home improvement.

3.3 Logistics and others

# Domestic Cement Price

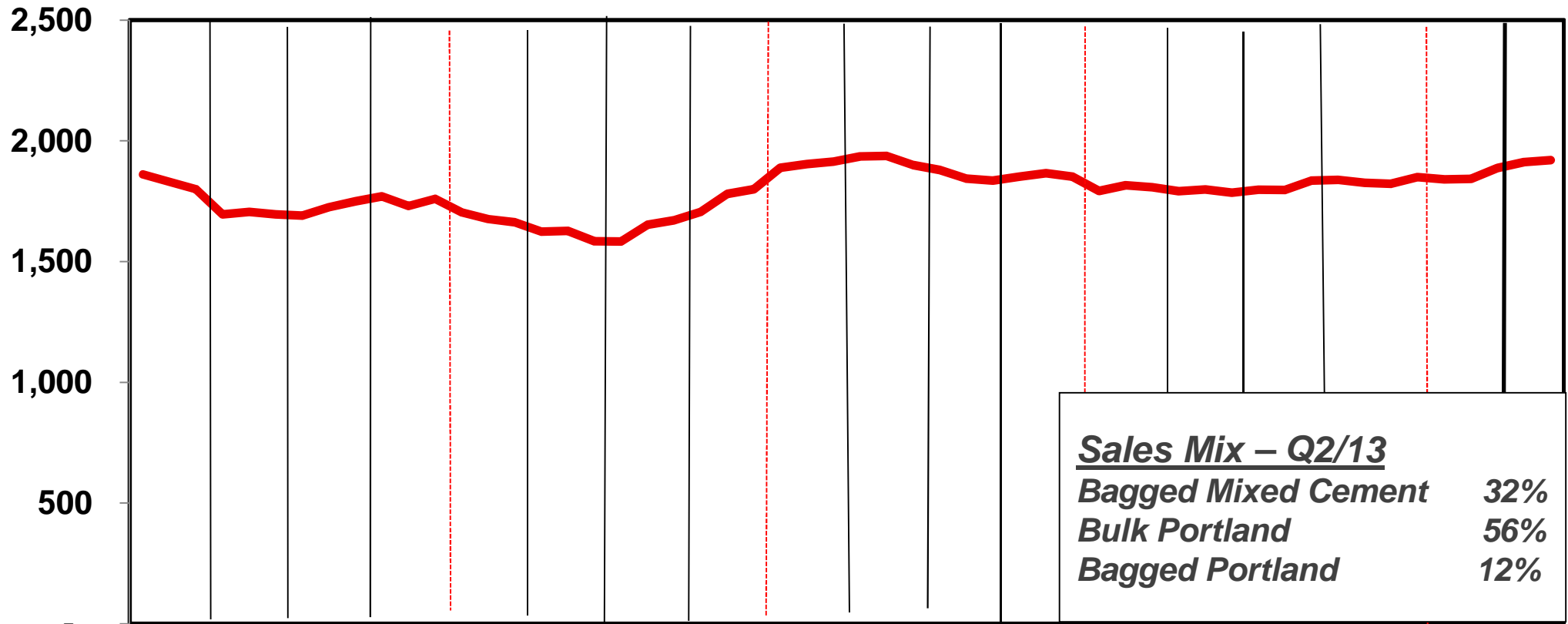
Domestic cement price increased slightly q-o-q to 1,850-1,900 Bt/ton. Total Q2/13 domestic demand grew approximately 8-9% y-o-y.



slide 27

*Average Domestic Price of Grey Cement (Net ex-factory)*

Baht/Ton



2009				2010				2011				2012				2013	
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2

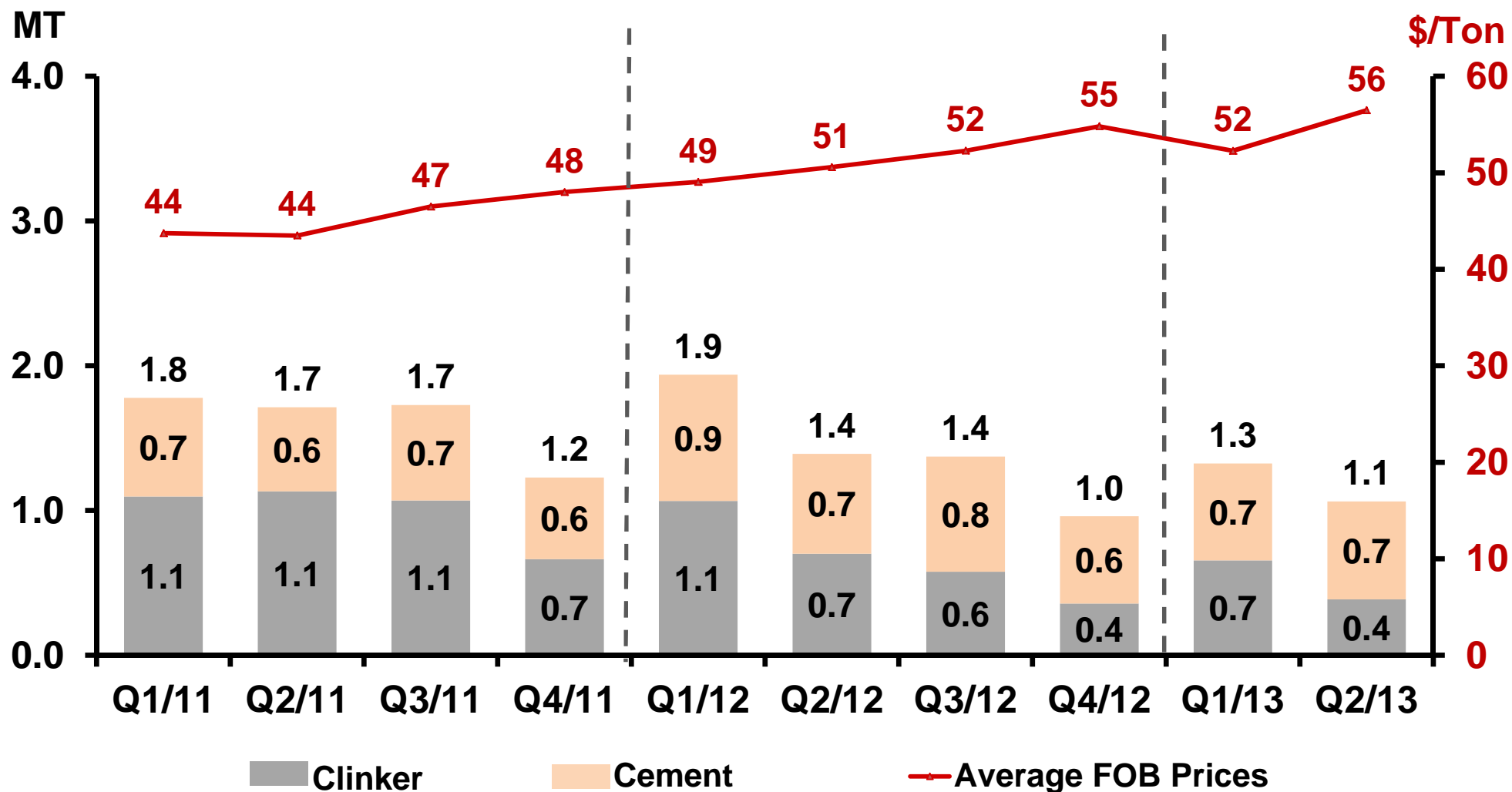
# Cement Exports

Export volume dropped 0.3 MT y-o-y, in light of the domestic volume growth.

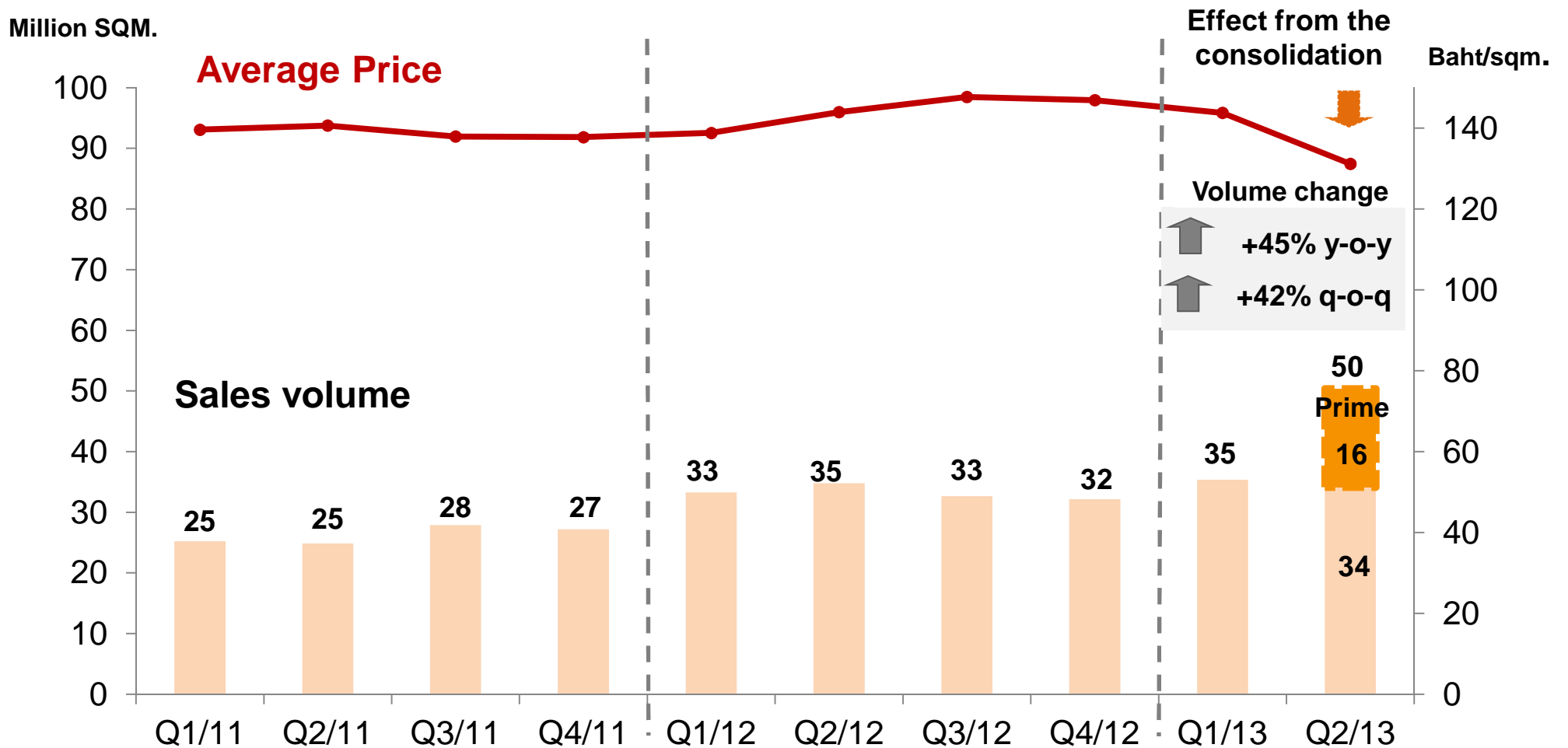


slide 28

### Export volume and Average price (FOB)



### Sales volume & prices for all ASEAN subsidiaries

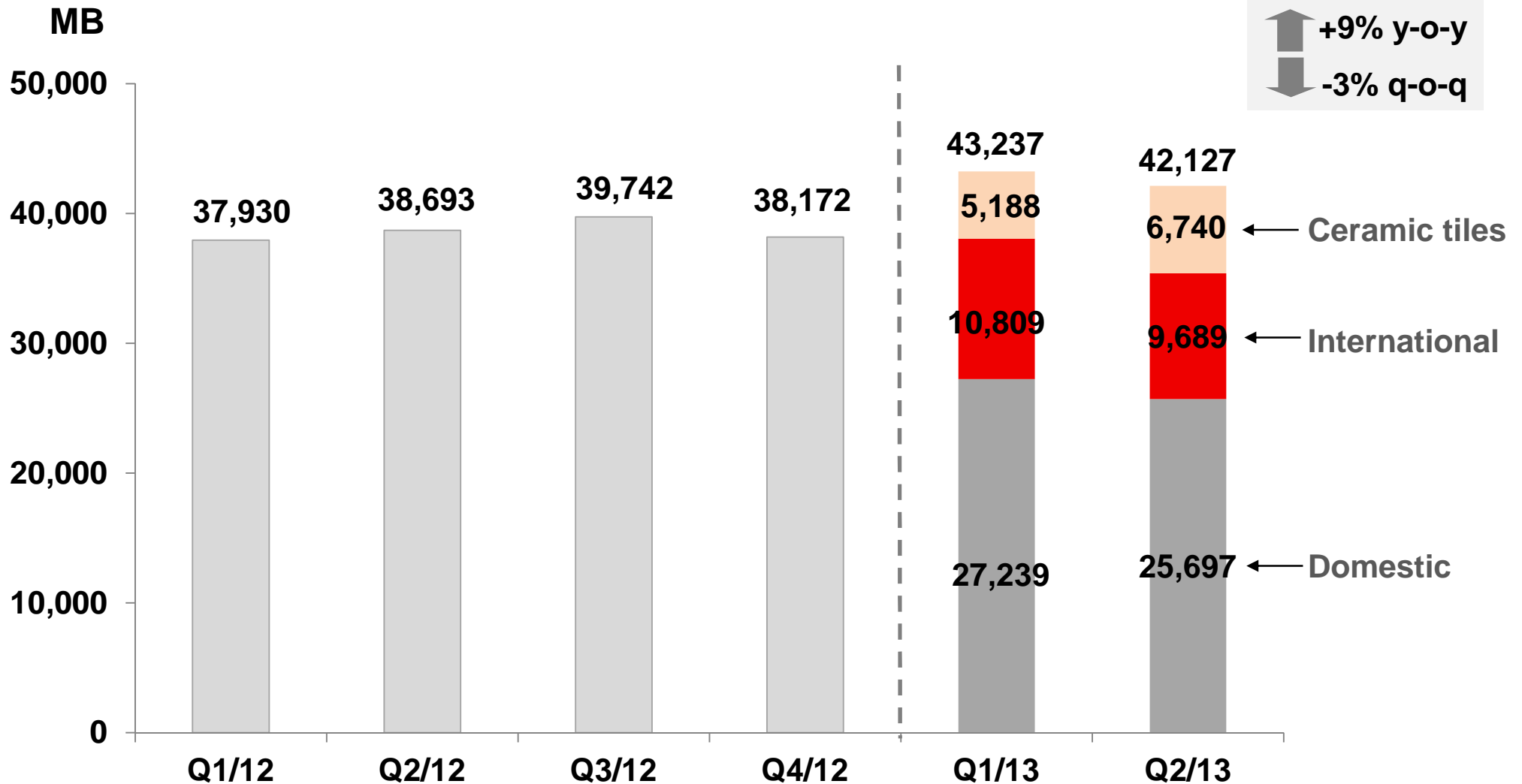


# Revenue from Sales

Grew 9% y-o-y as a result of increased domestic volume of cement and RMC. Without the consolidation of Prime Group, sales grew 5% y-o-y.



slide 30

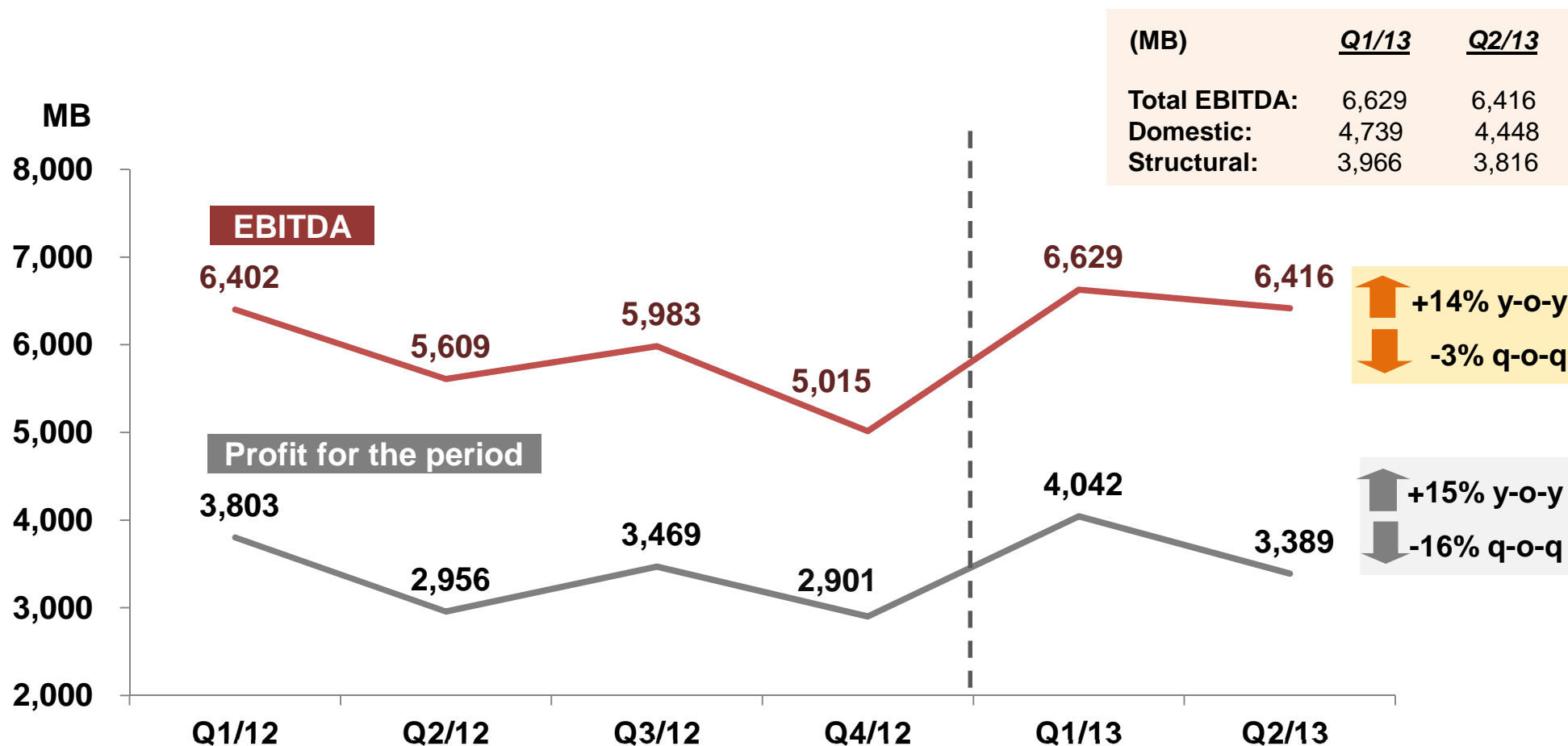


# EBITDA and Profit for the Period

Q2/13 EBITDA and Profit for the Period increased 14% and 15% y-o-y, respectively.



slide 31



## EBITDA Margin\*:

<b>Total</b>	<b>17%</b>	<b>14%</b>	<b>15%</b>	<b>13%</b>	<b>15%</b>	<b>15%</b>
<b>Domestic:</b>	-	-	-	-	<b>17%</b>	<b>17%</b>
<b>Structural:</b>	-	-	-	-	<b>28%</b>	<b>27%</b>

\* EBITDA margin = EBITDA from Operations / Consolidated Sales

## **Investment updates:**

- **MG Stone Slabs:** 1,500 MB investment for the plant construction.
- **Sanitary ware and fittings:** 2,600 MB to purchase shares from TOTO Group.
- **Roofing business:** 650 MB to purchase shares from Monier Group (or “Monier”).
- **Indonesia cement plant:** Engineering Procurement and Construction (EPC) contract was signed in May/13, with production expected in mid-2015.
- **Myanmar cement plant:** Myanmar investment commission (MIC) approved the investment project in Q2/13, while details are to be considered by SCG’s Board of Directors for approval.

## **Outlook:**

- Softer H2/13 domestic demand of cement is expected, with FY2013 estimate of 8-10%.
- Similarly, lower H2/13 domestic demand for other building products such as roofing tiles, ceramic tiles, and fibre-cement products.
- Indonesian cement demand may experience some softness in H2/13, due to the reduction in fuel tax subsidy.



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## Q2/13 Market Insight

HDPE & PP margins improved to the \$600/ton level, due to the drop in feedstock costs. Demand for HDPE/PP was better than expected.



*slide 34*

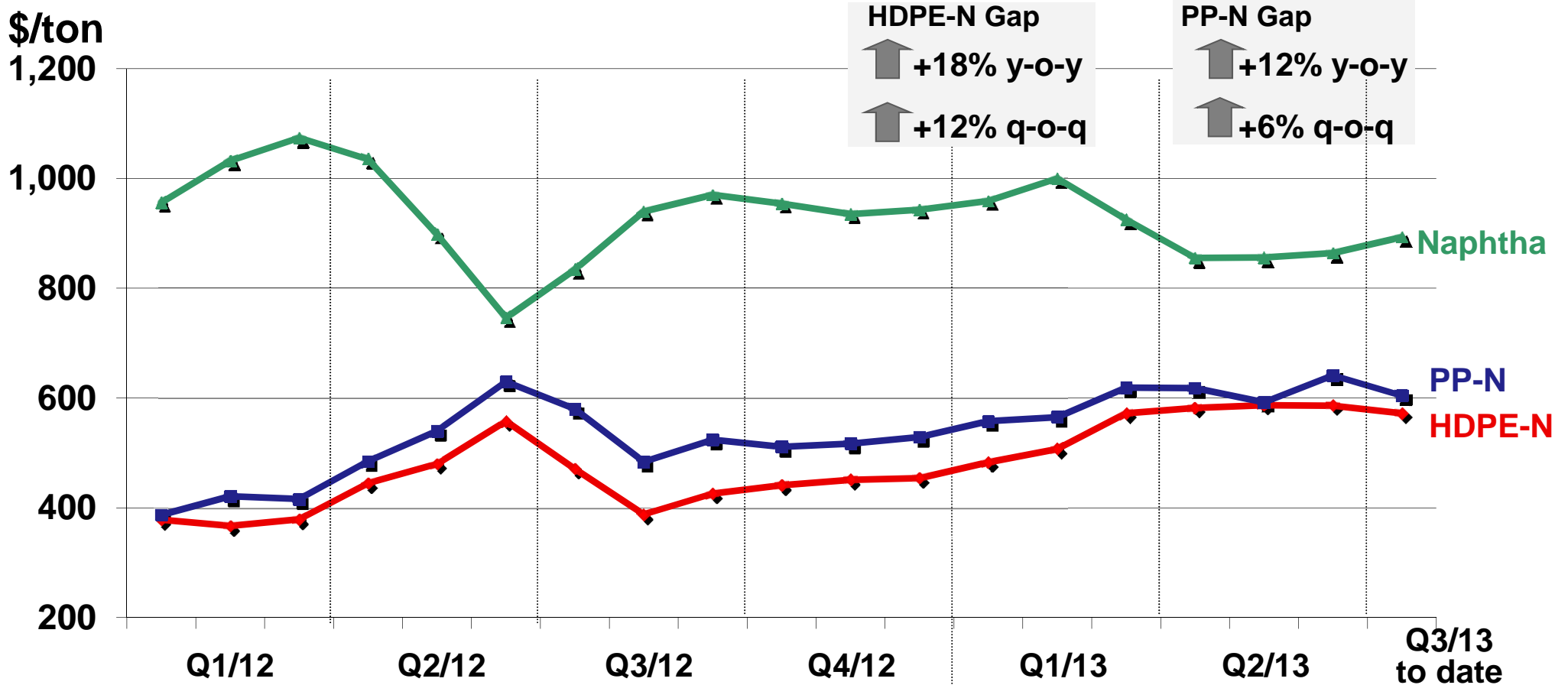
### **Market Insight:**

- Crude oil price dropped 8% q-o-q to \$104/bbl, and Naphtha prices decreased 11% q-o-q to \$858/ton, attributed to weak economic outlook of China and market response to Fed's announcement to taper on QE.
- Both ethylene and propylene prices decreased 9% q-o-q and 1% q-o-q to \$1,265/ton and \$1,297/ton, respectively.
- HDPE and PP dropped at a lower rate than naphtha. HDPE prices decreased to \$1,443/ton, down only 3% q-o-q, while PP prices averaged \$1,475/ton, down 4% q-o-q, on better-than-expected demand. The Q2/13 HDPE-Naphtha and PP-Naphtha margins improved to \$585/ton and \$617/ton, respectively.
- PVC margins (PVC-EDC/C2) in Q2/13 declined 5% q-o-q and down 25% y-o-y to \$386/ton.
- BD-Naphtha margin nosedived by 39% q-o-q because of low demand for synthetic rubber in China and hence impacted on butadiene demand.

# HDPE – and PP – Naphtha Price Gaps

...HDPE gap increased 18% y-o-y to \$585/ton, following better-than-expected demand and lower feedstock costs. PP margins also moved up to \$617/ton or up 12% y-o-y.

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HDPE-Naphtha	375	494	428	449	521	585	572
Spread (\$/ton)	← 437 →						
PP-Naphtha	408	551	529	519	581	617	604
Spread (\$/ton)	← 502 →						

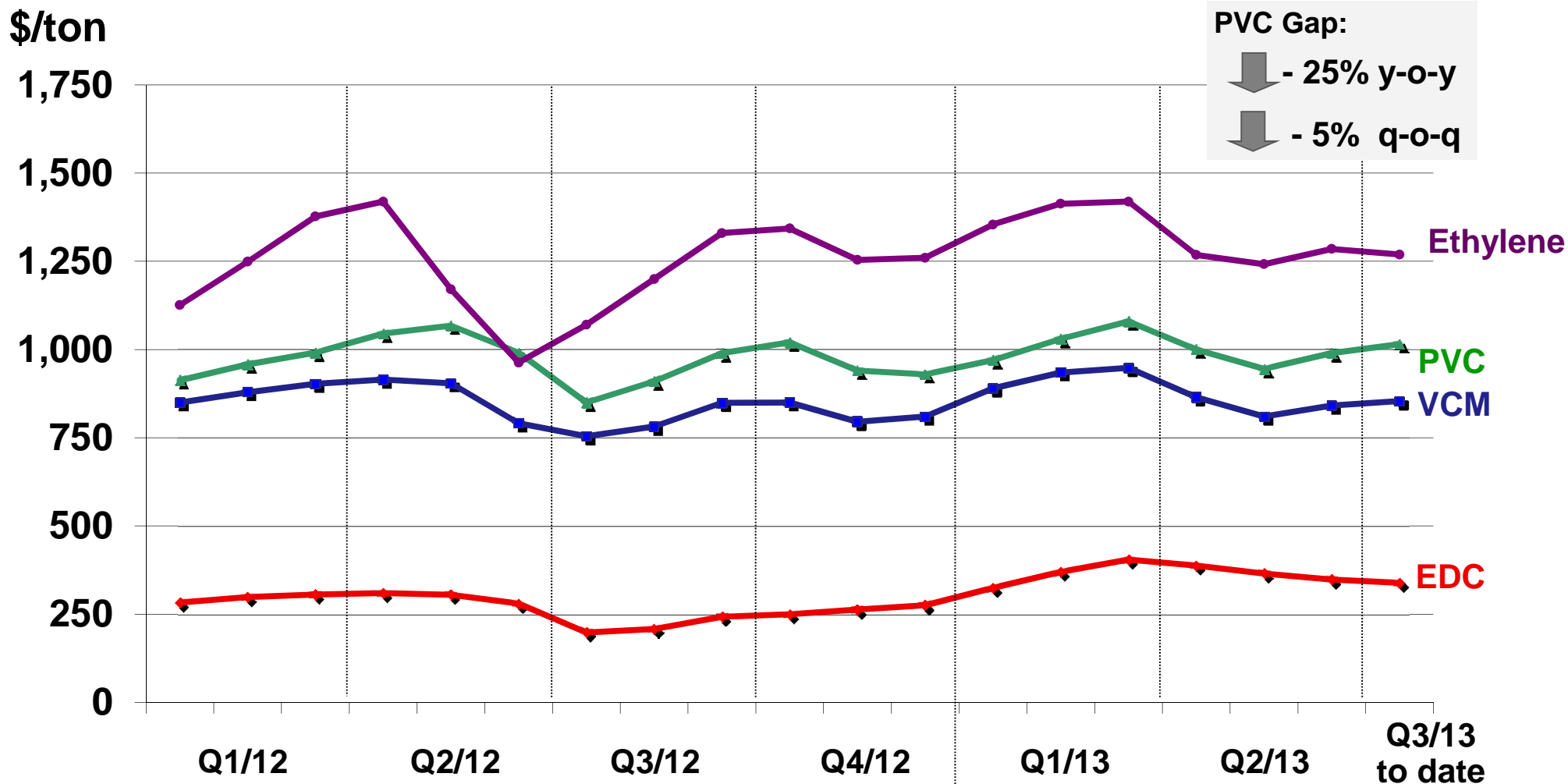
Note: Prices refer to SEA regional prices

# PVC

...lower PVC margins, down 25% y-o-y and 5% q-o-q to \$386/ton.



slide 36



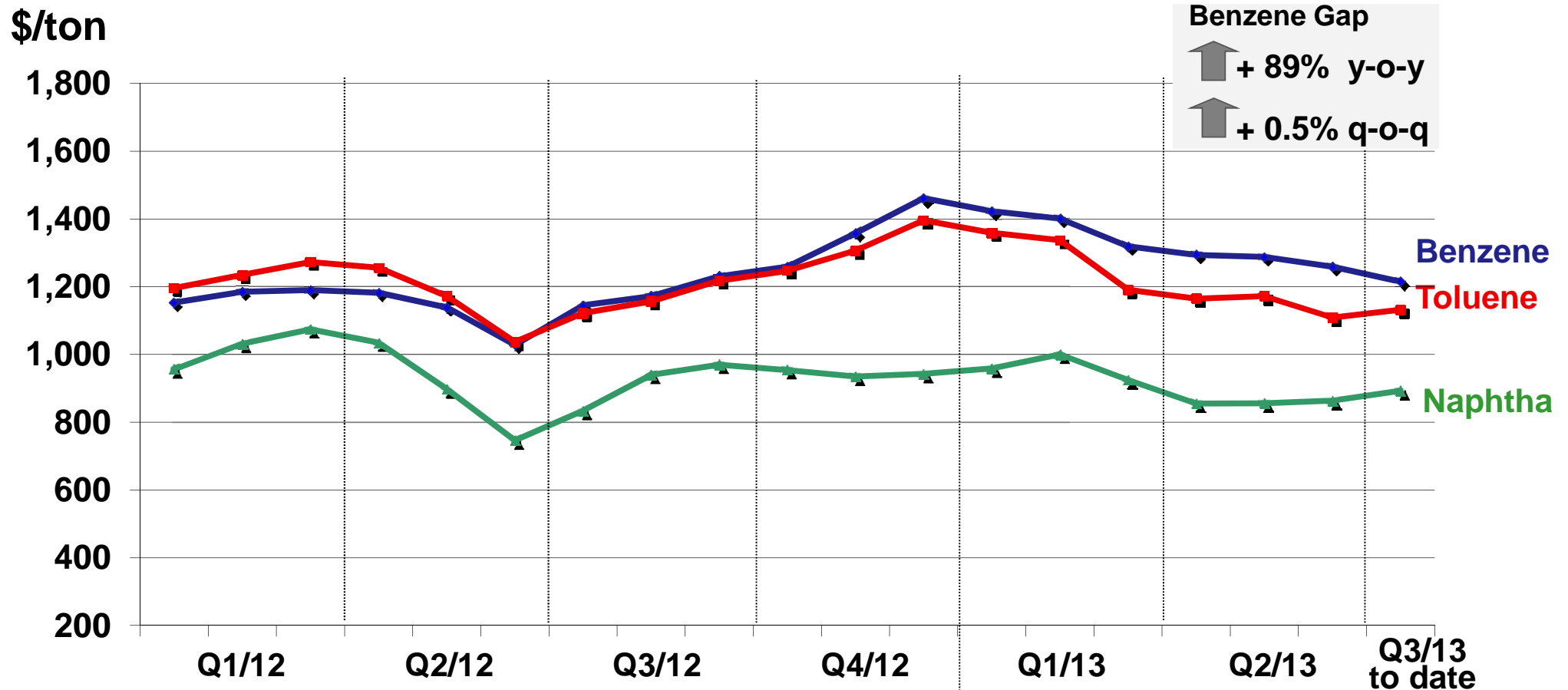
<b>PVC-EDC/C2</b>	<b>424</b>	<b>518</b>	<b>463</b>	<b>452</b>	<b>405</b>	<b>386</b>	<b>445</b>
<b>Spread (\$/ton)</b>	← 464 →						

Prices refer to FE regional prices

# Benzene & Toluene

...BZ-N margins were flat q-o-q, while BZ prices declined due to high inventory in China and the emergency shutdown of a SM plant in East Asia.

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BZ-Naphtha	155	223	268	415	420	422	322
TL-Naphtha	214	262	251	372	334	290	239
<b>BZ-Spread (\$/ton)</b>	←		<b>265</b>	→			
<b>TL Spread (\$/ton)</b>	←		<b>275</b>	→			

*Note: Prices refer to SEA regional prices*

# Price Gaps of Associates

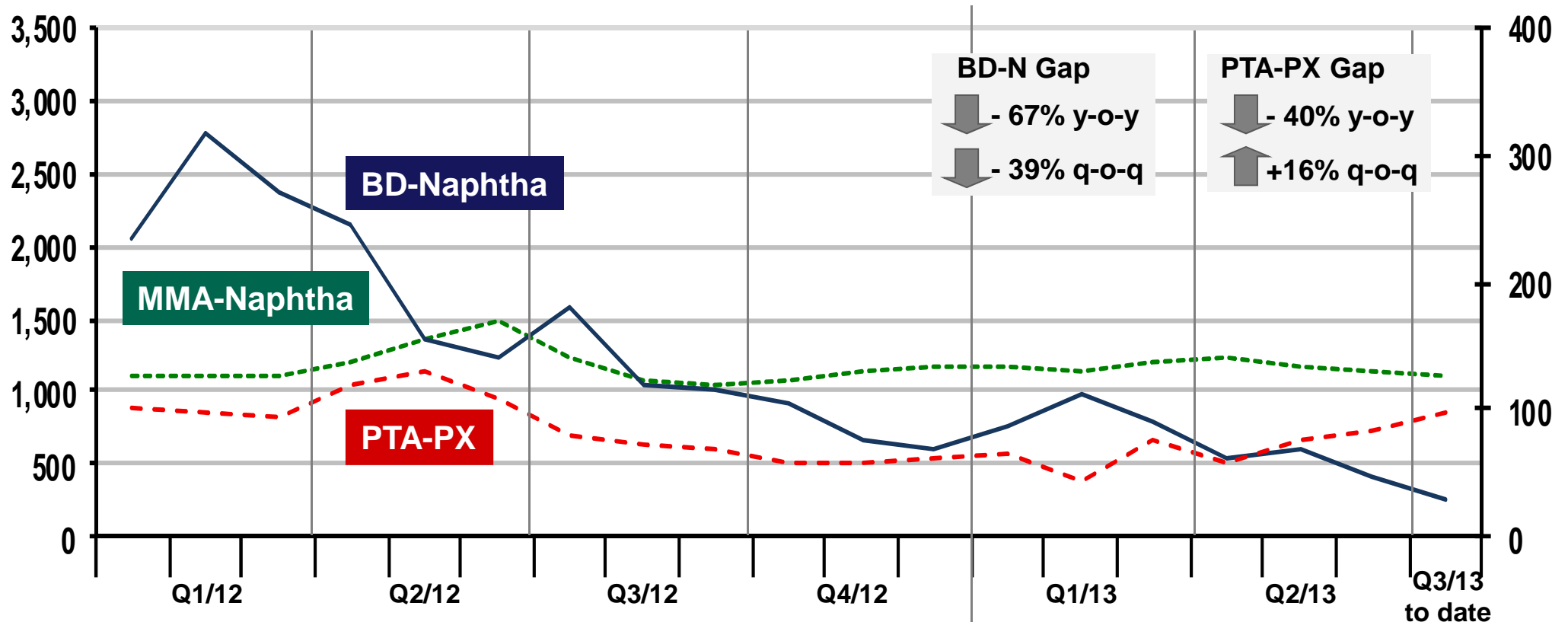
**MMA-Naphtha:** Maintained, as MMA price declined along with feedstock cost.

**BD-Naphtha:** Squeezed, due to the lack of synthetic rubber demand in China.

**PTA-PX:** Improved, due to lower PX prices.

MMA-Naphtha \$/ton, BD-Naphtha \$/ton

PTA-PX \$/ton



**BD-N Gap**  
 ↓ - 67% y-o-y  
 ↓ - 39% q-o-q

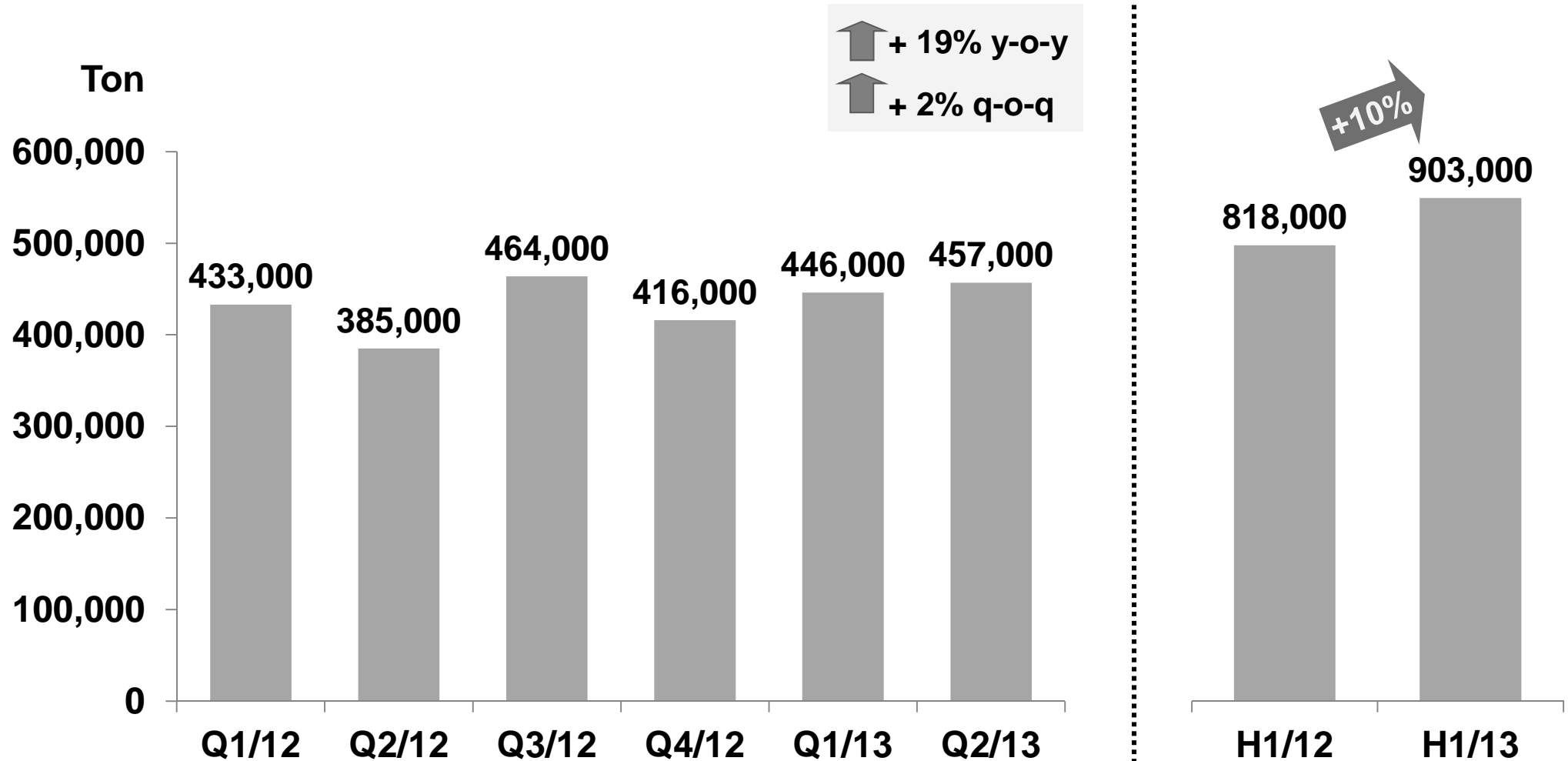
**PTA-PX Gap**  
 ↓ - 40% y-o-y  
 ↑ +16% q-o-q

<b>BD-Naphtha</b>	2,405	1,574	1,221	723	844	516	100
<b>Spread (\$/ton)</b>	←		1,481	→			
<b>PTA-PX</b>	98	120	73	58	62	72	98
<b>Spread (\$/ton)</b>	←		87	→			

*Note: BD and MMA prices refer to SEA regional prices, PTA prices refer to Asian regional prices*

# Polyolefins Sales Volume

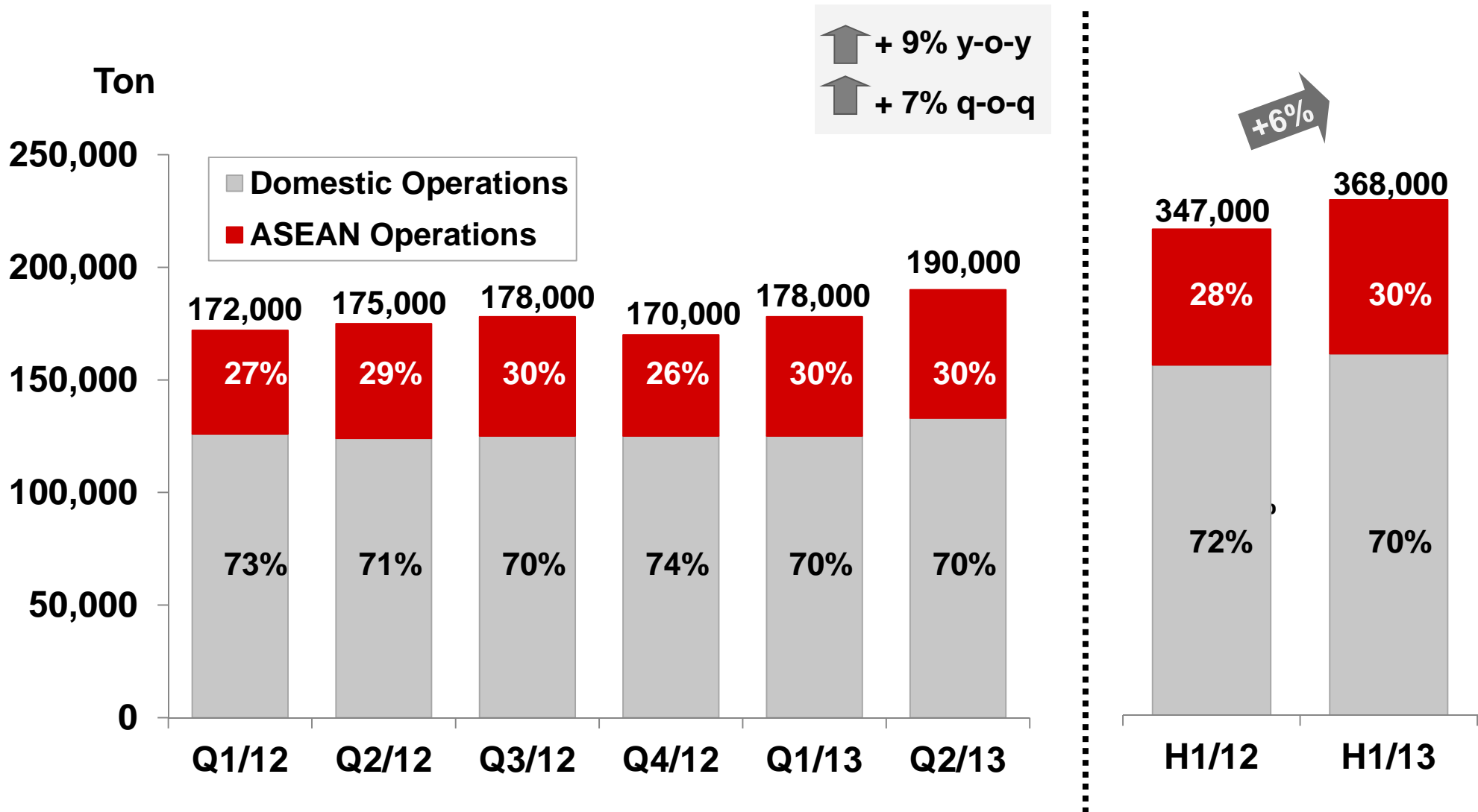
...volume increased 2% q-o-q and 19% y-o-y, supported by better than expected Asian demand.



# PVC Sales Volume

...volume increased 7% q-o-q, supported by increasing in utilization rate as a result of greater availability of VCM.

slide 40

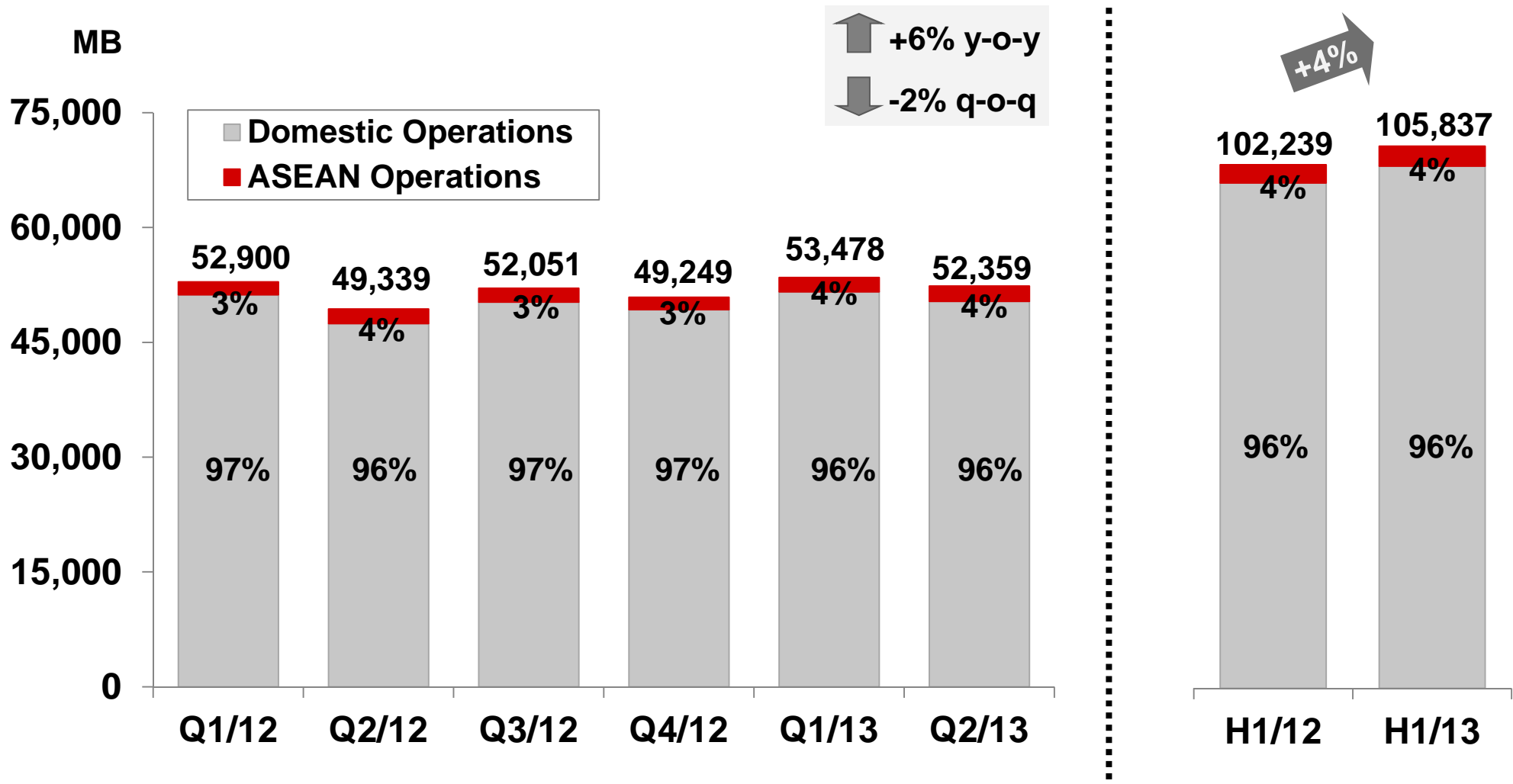


*Note: \*ASEAN Operations = Sales volume from PVC operations in Vietnam and Indonesia*



# Revenue from Sales

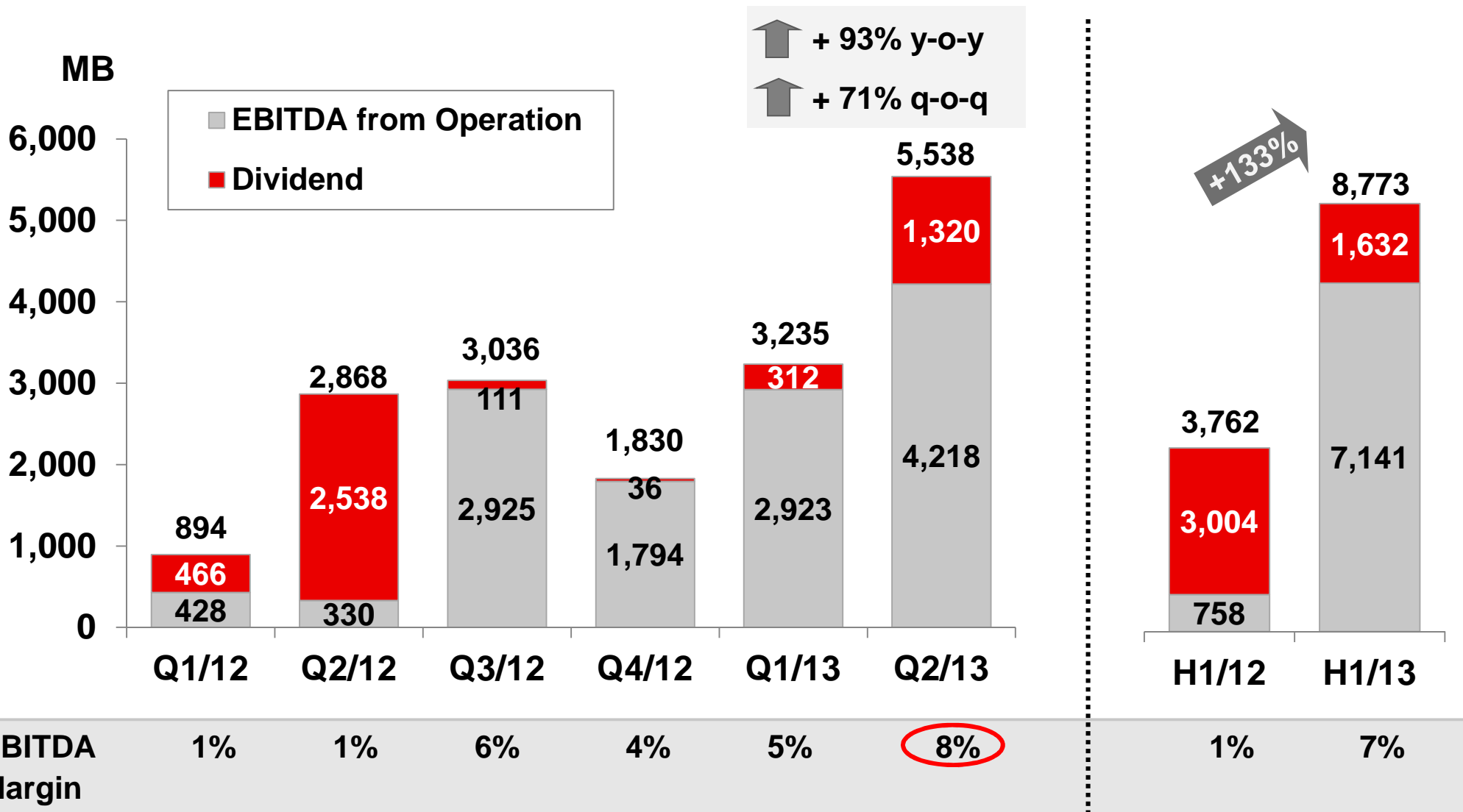
...revenue decreased 2% q-o-q attributed to lower product prices, despite higher q-o-q sales volume.



*Note: \* ASEAN operations = Sales revenue from PVC operations in Vietnam and Indonesia*

# EBITDA

...EBITDA increased 93% y-o-y, from enhanced operations of the subsidiaries and dividends from associates.



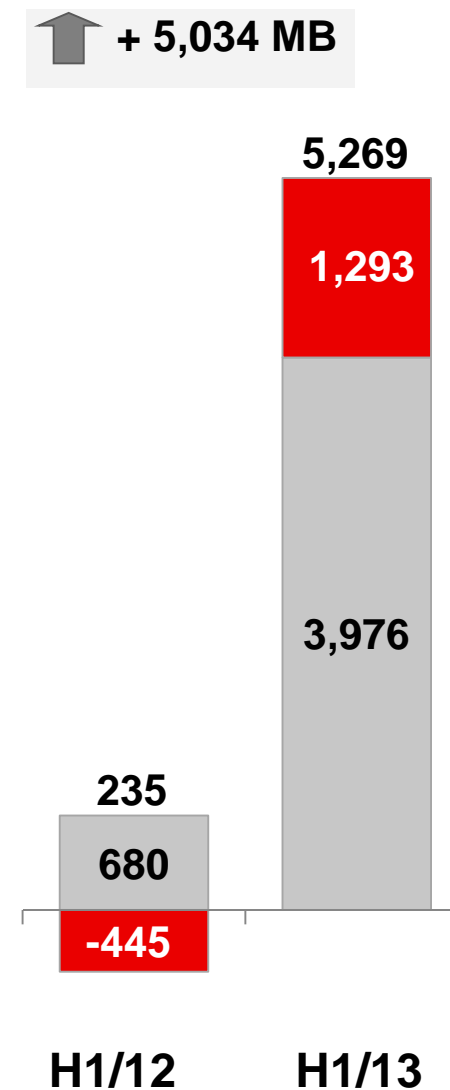
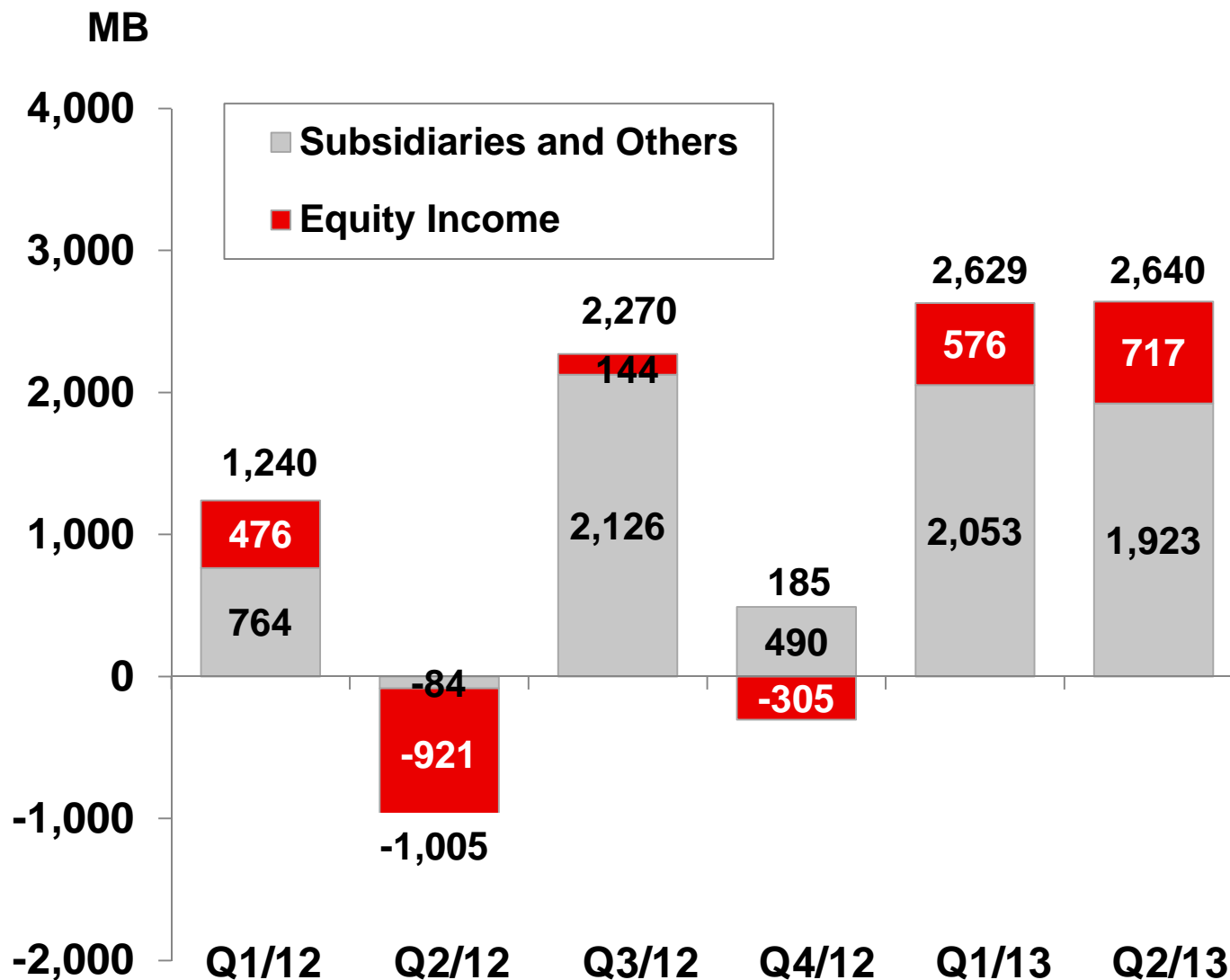
*Note: EBITDA = EBITDA from Operations + Dividend from Associated Companies*

# Profit for the Period

...flat earnings q-o-q, as there was a Q1/13 FX gain of 900 MB, while in Q2/13 there was an inventory loss of 800 MB.



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## **Demand:**

- Lower volatility in crude oil and naphtha prices, with decreased speculation.
- PE/PP: Steady margins, with key considerations on the H2/13 global economic outlook, and the seasonal buying period in Q3/13.
- China factors:
  - Current inventories are neither high, nor low
  - Credit liquidity
  - US economic recovery

## **Supply:**

- Monitoring the start-ups of the new complexes:
  - ExxonMobil - Jurong Island, Singapore
  - Sinopec - Wuhan (JV with SK Global Chemical)
  - PetroChina's Sichuan Petrochemical

## **Project Update:**

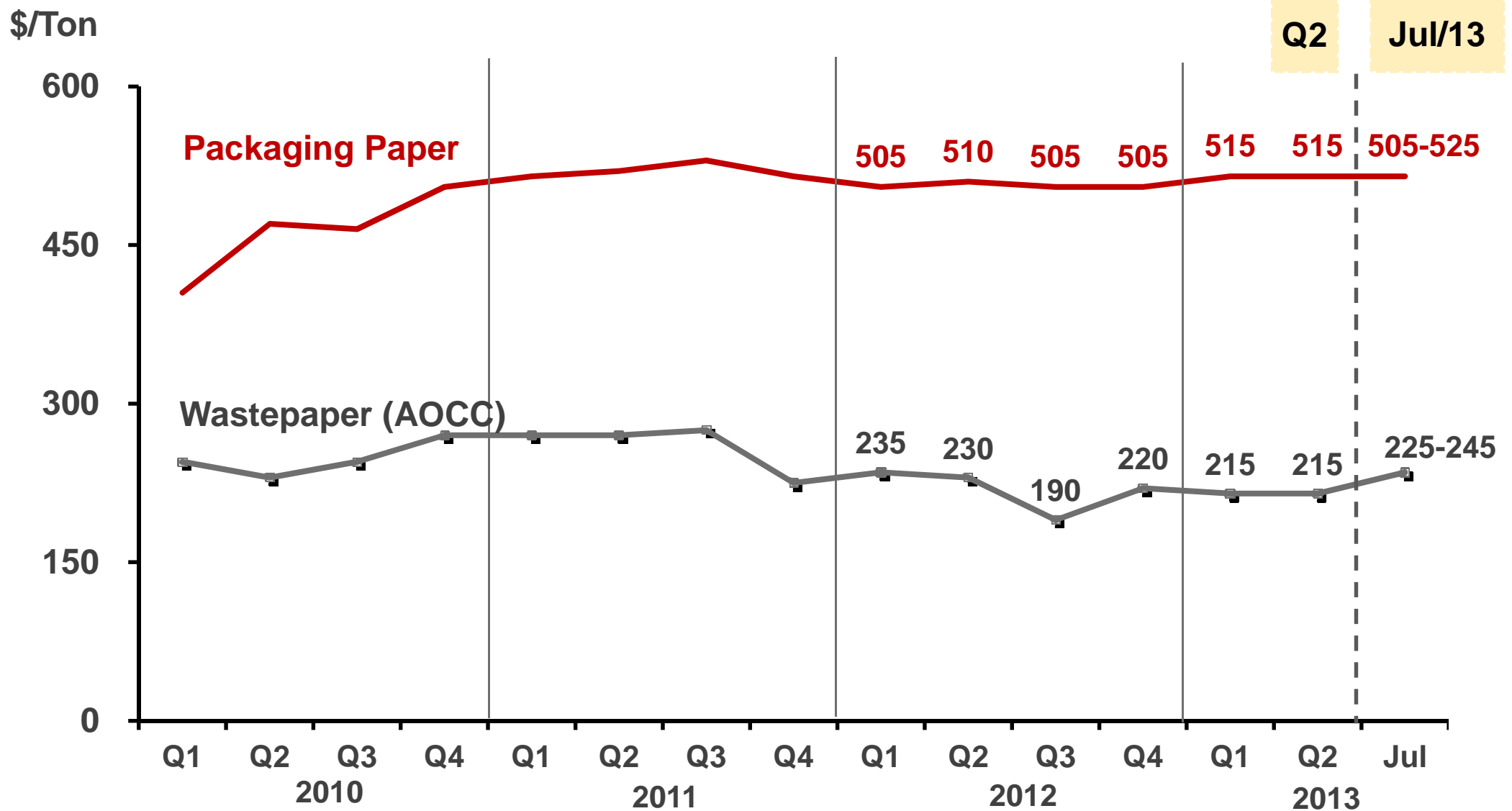
- Long Son Petrochemicals signed a 17-year gas purchase agreement with PetroVietnam Gas on July 25, 2013.

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# Packaging Paper

AOCC prices were flat, due to weakness in Chinese demand.  
Packaging paper prices stayed in the range of \$505-\$525/ton.

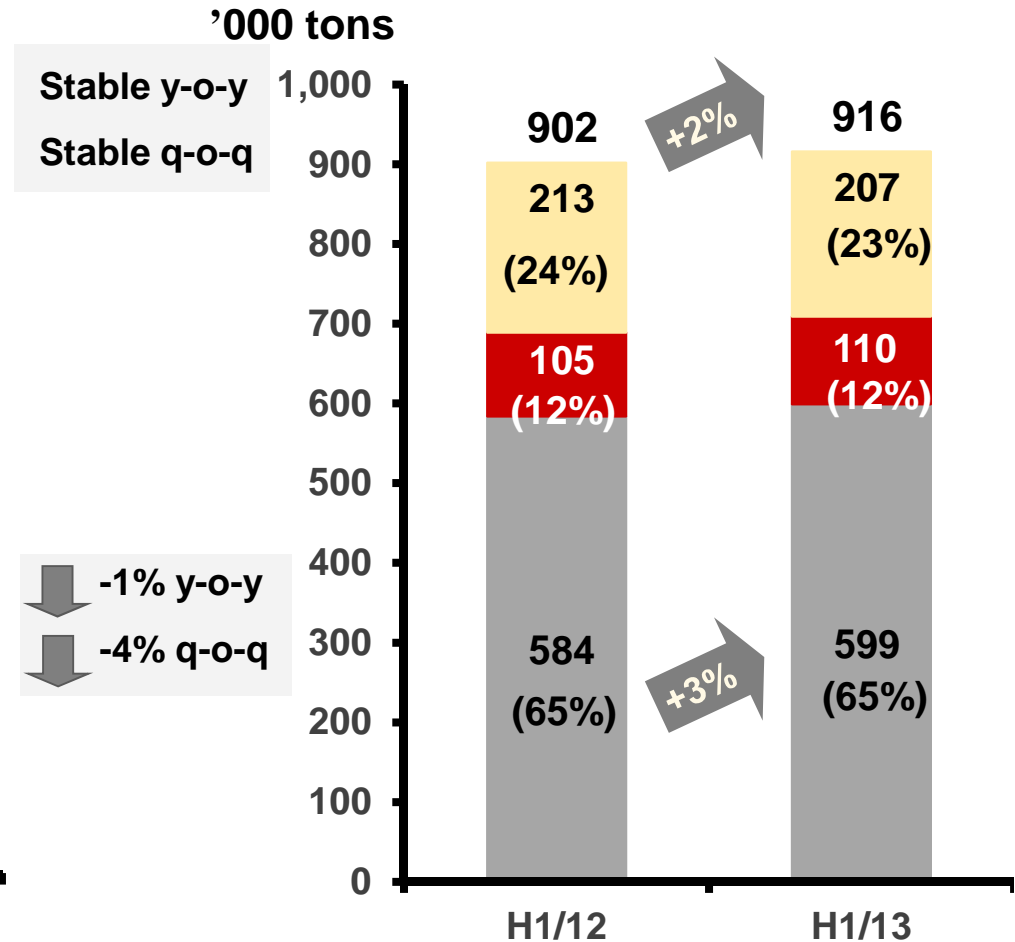
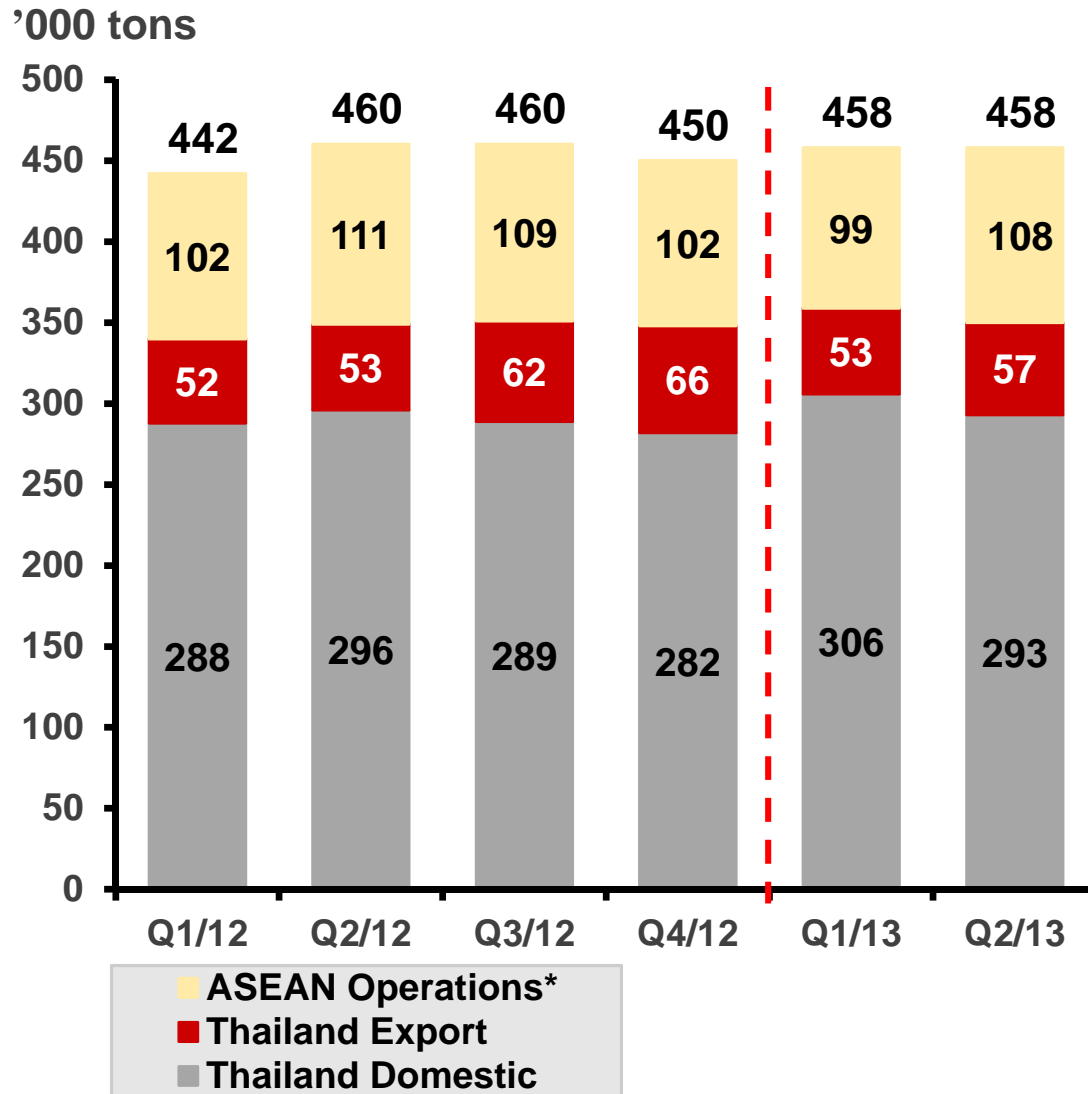
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Note: regional prices

# Packaging Paper:

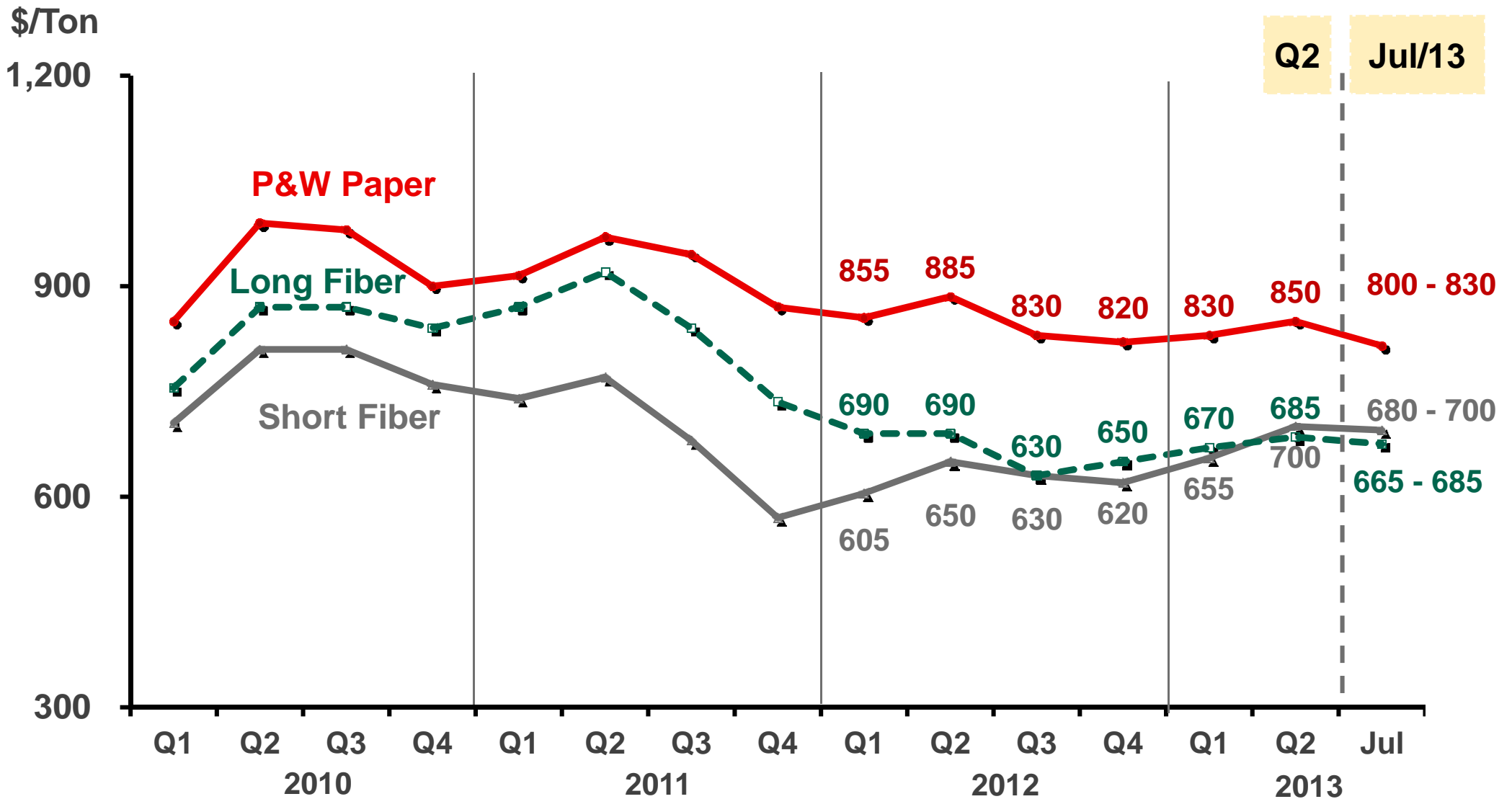
Domestic sales volume dropped 4% q-o-q from lower than expected demand, mainly in food & beverage and consumer products segments.



**Note:** \*Sales Volume from Philippines and Vietnam

# Fibrous (Printing & Writing Paper)

Long-fiber and short-fiber pulp prices increased owing to tight supply from maintenance downtime of major producers in spring. Regional paper prices moved up slightly, but fell sharply at the end of June.

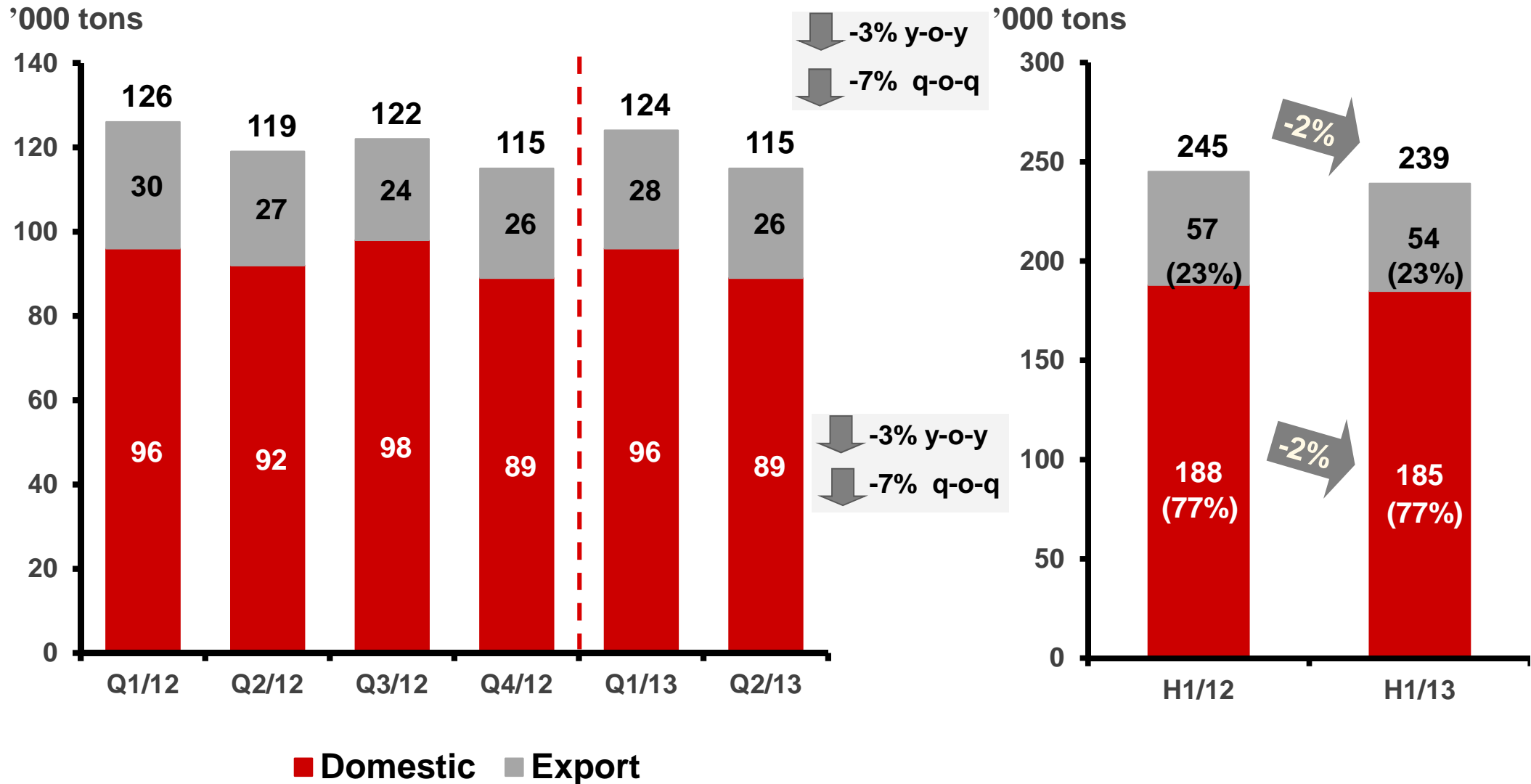


*Note: regional prices*



# Fibrous (Printing & Writing Paper)

Domestic sales volume decreased 7% q-o-q, mainly due to demand softness from publication and commercial materials segment, coupled with rising import penetration.

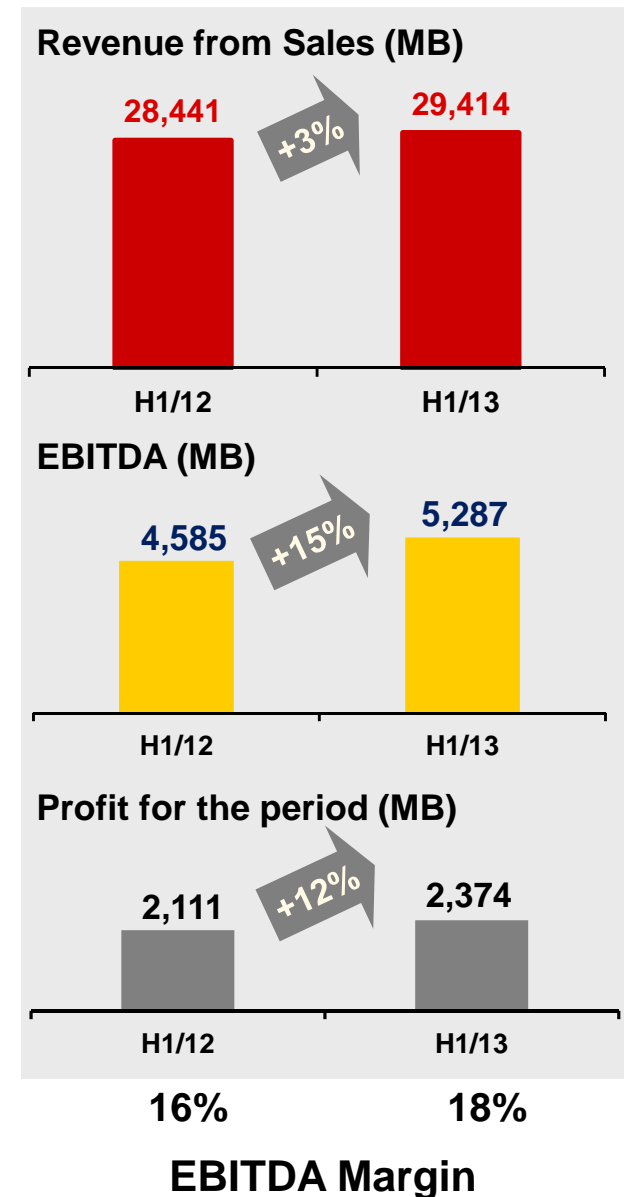
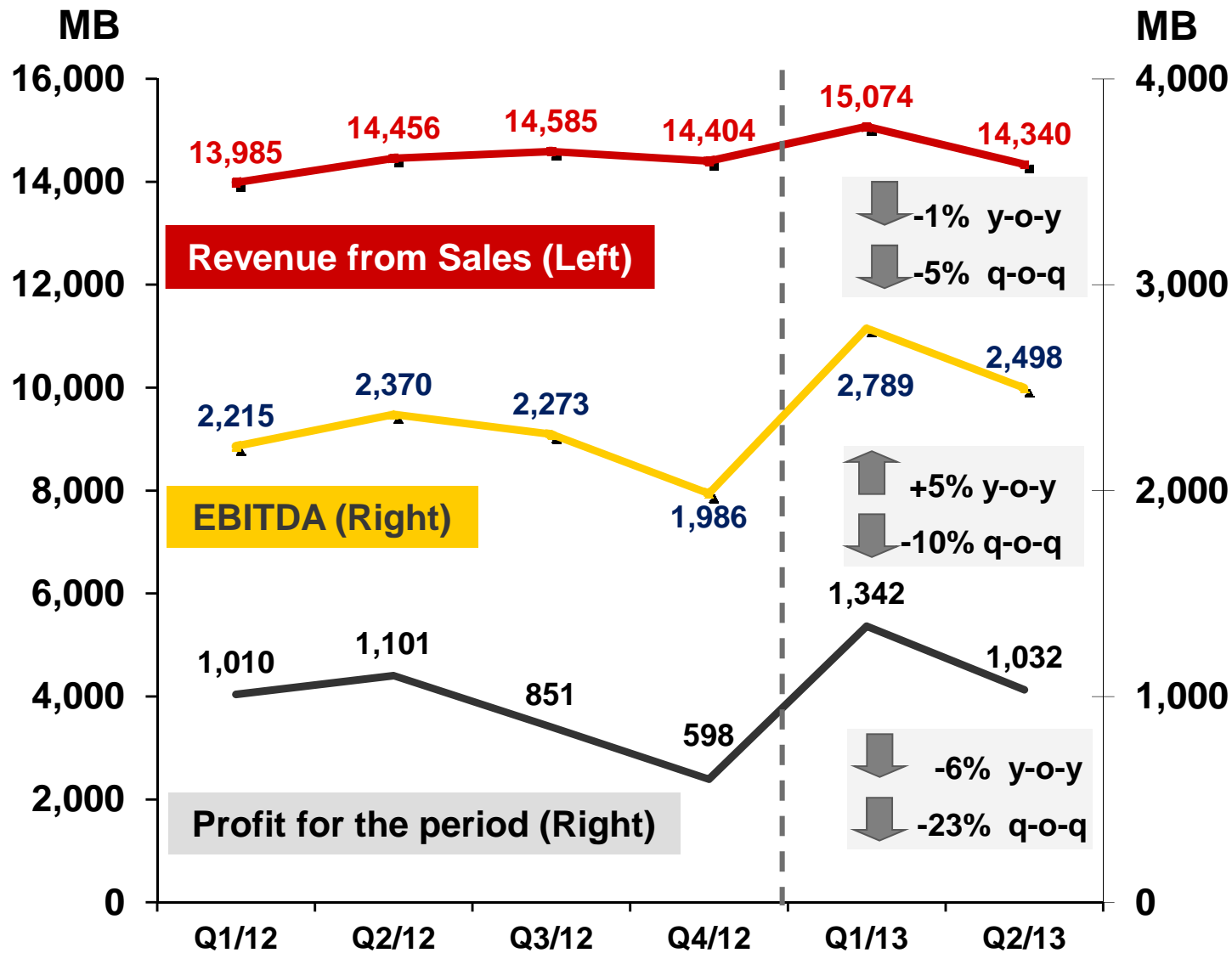


# Financials

Decline in results q-o-q, mainly due to weak domestic demand in Fibrous chain. H1/2013 performance improved, owing to higher sales volume in Packaging chain.



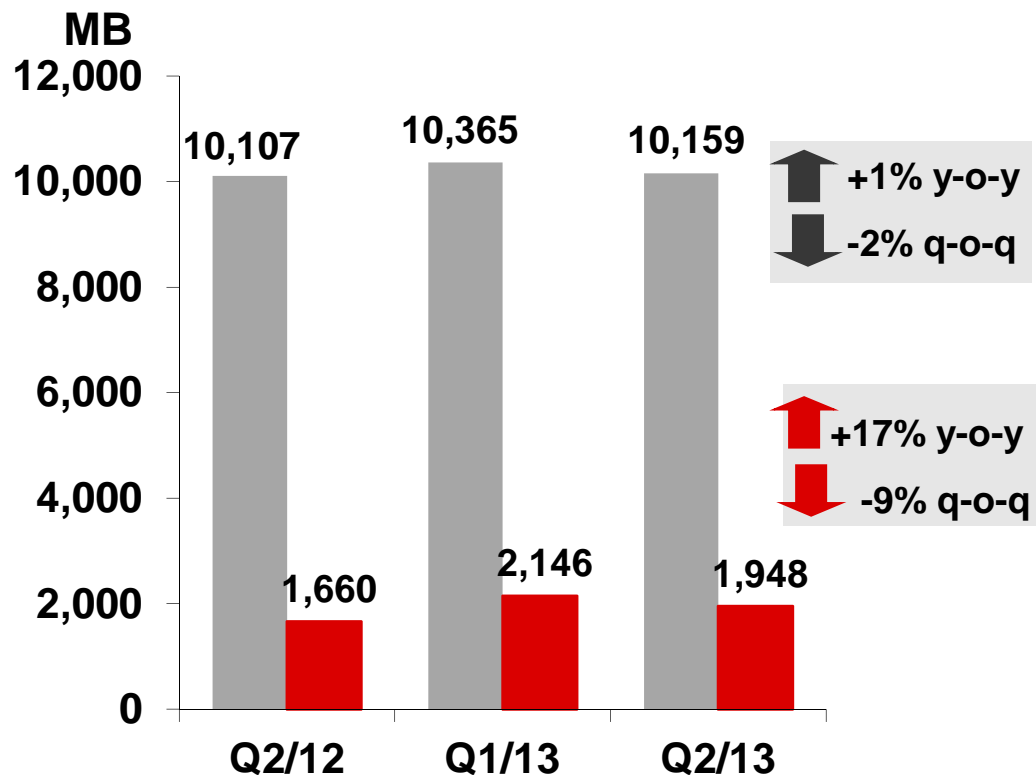
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# Business Segments

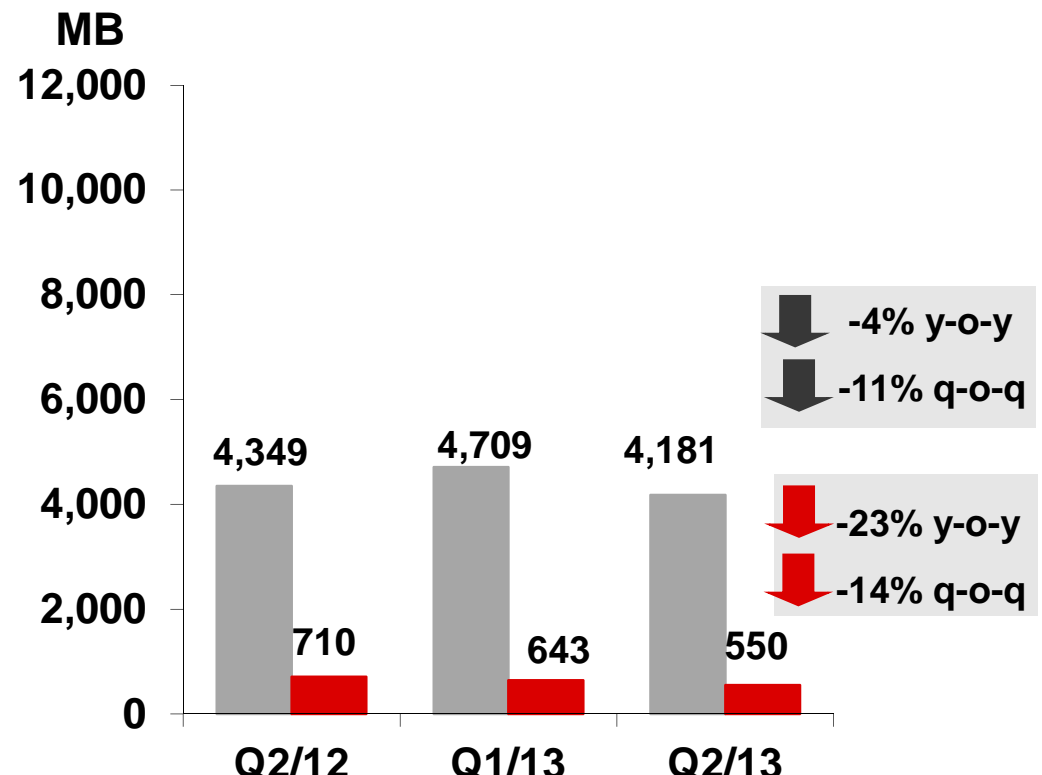
Improved financial performance in the Packaging chain y-o-y, while the Fibrous chain saw decreased performance as a result of lower volume q-o-q and y-o-y, and weaker prices y-o-y.

Packaging Chain



EBITDA Margin	Q2/12	Q1/13	Q2/13
EBITDA Margin	16%	21%	19%

Fibrous Chain



EBITDA Margin	Q2/12	Q1/13	Q2/13
EBITDA Margin	16%	14%	13%

Revenue from Sales
  EBITDA

## Updates:

- Thai Containers Group (SCG Paper stake of 70%) acquired a 75% stake in both Dyna Packs and Orient Containers (121,000 tons/year) in June/13, boosting SCG Paper's total box capacity to 976,000 tons/year.

## Outlook:

- Weaker domestic demand coupled with intensified regional competition.

### **Packaging Chain**

- Wastepaper: Regional prices expected to firm up, mainly due to tight supply from low collections of wastepaper during the summer in U.S.
- Paper prices expected to remain under pressure from regional supply, coupled with slow economic growth in China.

### **Fibrous (Printing & Writing) Chain**

- Seasonal demand softness expected to pressure on regional pulp prices. Paper prices should follow suit with continued regional oversupply, coupled with weaker sentiment and demand in China.

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***Thank You***

For further details, please contact [invest@scg.co.th](mailto:invest@scg.co.th)